

**ENTREPRENEURIAL ORIENTATION AMONG BUSINESS OWNERS IN  
TANZANIA: IS IT A NECESSITY BASED OR OPPORTUNITY DRIVEN?**

**ADAM GEORGE MANDIA**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION IN THE OPEN UNIVERSITY OF TANZANIA**

**2013**

**CERTIFICATION**

The undersigned certify that he has read and hereby recommend for examination a dissertation titled '**Entrepreneurial orientation among business owners in Tanzania: *Is it a necessity based or opportunity driven***' in partial fulfilment of the requirements for the degree of Master of Business Administration (MBA) offered by the Open University of Tanzania (OUT).

.....  
**Dr. Tumsifu Elly**  
**(Supervisor)**

.....  
Date

**COPYRIGHT**

This dissertation is a copy right material protected under the Berne Convention, the Copyright Act 1999 and other international and national enactments in that behalf on intellectual property. It may not be reproduced by any means in full or in part, except for short extracts in fair dealings, for research or private study, critical scholarly review or discourse with an acknowledgement, without the written permission of the author or the Open University of Tanzania in that behalf.

## DECLARATION

I, **Adam George Mandia**, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

.....

Signature

.....

Date

## **DEDICATION**

Dedicated to My wife Pendo, our daughter Calreen and sons Collins-G and Calvin.

**“I can do everything through Christ who gives me strength”**

***Philippians 4:13***

## **ABSTRACT**

The main objective of this study was to establish whether entrepreneurs in Tanzania are necessity based or opportunity driven. Specifically the study determined why do people choose entrepreneurship as a career and the relationship between the motives and the resulting performance of the firm, and finally identified challenges faced by entrepreneurs based on their motives. A descriptive research design using survey technique was employed. Major primary data were collected through structured questionnaires. Data was analyzed using SPSS employing Descriptive statistics and Chi-Square techniques. The results of the study show that entrepreneurship orientation among business owners is much influenced by the necessity than opportunity, though there is some hybrid merge between the two. The findings of this study show that desire for high income, exploitation of opportunities and lack of alternatives and, work experience are important motivational factors and reasons for choosing entrepreneurship. Moreover findings reveal that there is a positive relationship between exploitation of opportunities and desire for high income and sales turnover as firm growth indicator. Where-as number of subsidiaries opened indicates no relationship with exploitation of opportunities. The study recommends a need to formulate an independent entrepreneurship policy which will enhance entrepreneurs promotion, and establish one stop centre for local entrepreneurs. Furthermore the study recommends an introduction of entrepreneurship subject in primary and secondary education syllabuses and to take an immediate mitigation measures to redresses the found challenges.

## ACKNOWLEDGEMENTS

I would like to extend my sincere appreciations to all who in any how contributed to the successful carrying out of this dissertation. Of all others I feel submissive to the Almighty God for keeping me fit mentally and physically during the whole period of carrying out my study at Open University of Tanzania. I should as well at this particular juncture thank my pastor Rev. Mtui, F. and other God's servants who have ceaselessly been praying for my studies and well-being during studying period.

Special thanks and appreciations should go to my supervisor Dr. Tumsifu Elly for agreeing to undertake the task of supervising this work, and for his useful advice in all stages of undertaking this dissertation. Without his professional insights, sincere interest on the study area, patience and tireless reading the drafts, this study would have been very difficult to accomplish.

I feel obliged to thank my wife Pendo Milanji Mandia for her immeasurable role she played in the family, her patience, encouragement, understanding and untiring assistance. Similarly, thanks are extended to my children Calreen, Collins-George and Calvin who have constantly been patience by missing *dad's love*. I should as well thank my parents Mzee George Shedafa Mandia and my lovely mum Alice who laid the stepping stone and sacrificed a lot to my education since my childhood. Special thanks should also go my brothers and sisters who have been all the time supporting and encouraging me during my studies. I feel greatly indebted to them. I am pleased to extend my sincere appreciation and thanks to my lecturers Dr. P. Ngatuni, Dr. M.Chacha, Dr. Mbamba, Dr. Mbura, Dr Mutagwaba, Dr. Mukasa, Mr.

Kaaya and Mr. Kalanje for their contributions in the successful completion of the course.

Last but not least, particular thanks should go to my friends, relatives, and colleagues for their assistance and cooperation given to me throughout my course period.



## TABLE OF CONTENTS

<b>CERTIFICATION .....</b>	<b>ii</b>
<b>COPYRIGHT .....</b>	<b>iii</b>
<b>DECLARATION.....</b>	<b>iv</b>
<b>DEDICATION.....</b>	<b>v</b>
<b>ABSTRACT .....</b>	<b>vi</b>
<b>ACKNOWLEDGEMENTS.....</b>	<b>vii</b>
<b>TABLE OF CONTENTS.....</b>	<b>ix</b>
<b>LIST OF TABLES .....</b>	<b>xiii</b>
<b>LIST OF FIGURES .....</b>	<b>xiv</b>
<b>ACRONYMS .....</b>	<b>xv</b>
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>1.0 INTRODUCTION.....</b>	<b>1</b>
1.1 Overview .....	1
1.2 Background to the Problem.....	1
1.3 Statement of the Problem.....	5
1.4 General Objectives.....	7
1.4.1 Specific Objectives .....	7
1.5 Research Questions.....	7
1.6 Significance of the Study .....	8
1.7 Organization of the Study .....	8
<b>CHAPTER TWO .....</b>	<b>10</b>
<b>2.0 LITERATURE REVIEW .....</b>	<b>10</b>
2.1 Introduction.....	10

2.2	Definition of Key Terms .....	10
2.2.1	Entrepreneur.....	10
2.2.2	Entrepreneurship.....	11
2.2.3	Opportunity Driven Entrepreneurship.....	13
2.2.4	Necessity Based Entrepreneurship .....	14
2.3	Development of Entrepreneurs.....	15
2.3.1	Characteristics of entrepreneurs .....	16
2.3.2	Various Concepts in Entrepreneurial Attitudes and Behaviors.....	16
2.4	Theoretical Literature Reviews .....	19
2.4.1	SMEs in Tanzania .....	19
2.4.2	The Importance of SMEs in Tanzania and Its Linkage to Entrepreneurship ....	20
2.4.3	Entrepreneurial Orientation and Firm Performance .....	21
2.4.4	The Entrepreneurship Theories .....	23
2.5	Empirical Literature Reviews .....	26
2.6	Conceptual Framework .....	32
2.7	Literature Gap.....	33
	<b>CHAPTER THREE .....</b>	<b>34</b>
3.0	<b>RESEARCH METHODOLOGY .....</b>	<b>34</b>
3.1	Introduction .....	34
3.2	Research Design .....	34
3.2.1	Desk Research and Field Research .....	35
3.3	Targeted Population.....	35
3.3.1	Sampling .....	35
3.3.2	Sample Size and Selection.....	36

3.3.3	Study Area and Population .....	36
3.4	Data Collections .....	37
3.4.1	Data Collection Instrument.....	37
3.4.2	Data Sources .....	37
3.5	Data Analysis and Interpretations.....	37
<b>CHAPTER FOUR.....</b>		<b>39</b>
4.0	<b>PRESENTATION, ANALYSIS AND DISCUSSION OF THE FINDINGS</b>	<b>39</b>
4.1	Introduction .....	39
4.1.1	Data Cleaning .....	39
4.1.2	Validity and Reliability of Data .....	40
4.2	Profile of the Respondents.....	41
4.2.1	Distribution of the Respondents by Gender, Age and Marital status .....	41
4.2.2	Respondents Distribution by Education .....	43
4.3	Main Findings.....	45
4.3.1	Objective (i) Aimed at Determining Why do People Choose Entrepreneurship as a Career .....	45
4.3.2	Objective (ii) Aimed at Determining the Relationship Between the Motives and the Resulting Performance of the Firm.....	47
4.3.3	Objective (iii) Aimed at Determining the Challenges Faced by Entrepreneurs Based on their Motives .....	52
<b>CHAPTER FIVE.....</b>		<b>59</b>
5.0	<b>SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS .....</b>	<b>59</b>
5.1	Introduction .....	59

5.2	Summary of Findings.....	59
5.2.1	Reasons as Why People Choose Entrepreneurship as a Career.....	59
5.2.2	The Relationship between the Motives and the Resulting Performance of the Firm	60
5.2.3	The Challenges Faced by Entrepreneurs Based on Their Motives .....	61
5.3	Implication of the Results .....	62
5.4	Conclusion.....	63
5.5	Recommendations .....	64
5.5.1	Formulation of an Independent Entrepreneurship Policy .....	65
5.5.2	Establishment of One Stop Centre for Local Entrepreneurs.....	65
5.5.3	Introduction of Entrepreneurship Subject Primary and Secondary Education	66
5.5.4	The Government to Mitigate Challenges.....	66
5.6	Limitations of the Study .....	67
5.7	Recommendation for further study .....	67
	<b>REFERENCES.....</b>	<b>69</b>
	<b>APPENDICES .....</b>	<b>75</b>

## LIST OF TABLES

Table 2.1: Classification of SMEs in Tanzania.....	19
Table 2.2: Prototype for Career Anchor Assessment.....	24
Table 4.1: Reliability Statistics for Internal Consistency of Data.....	<b>Error! Bookmark not defined.</b>
Table 4.2: Respondents Distribution by Gender .....	41
Table 4.3: Marital Status of the Respondents .....	42
Table 4.4: Level of Education.....	43
Table 4.5: Attendance of Business Education .....	44
Table 4.6: Employment Before Business.....	44
Table 4.7: Chi-Square Tests: Exploitation of Existing Opportunities and Sales Performance .....	48
Table 4.8: Chi-Square Tests: Desire for Higher Income and Sales Performance.	49
Table 4.9: Chi-Square Tests: Exploitation of Opportunities and Number of Branches Opened .....	50
Table 4.10: Measurement of Increase in Number of Employees.....	51
Table 4.11: Branch or Subsidiary Opened .....	51
Table 4.12: Comparison of Individual Firms with Respect to Other Firms .....	52

## LIST OF FIGURES

Figure 2.1: Conceptual Framework.....	32
Figure 4.1: Respondents Distribution by Age .....	42
Figure 4.2: Frequencies of Entrepreneurs Who Started Business .....	45
Figure 4.3: Motivational Factors Influencing People to Start Own Businesses.....	46
Figure 4.4: Own Business Start – up Reasons.....	47
Figure 4.5: Categories of Entrepreneurs basing on their motives .....	53

## ACRONYMS

E.O	Entrepreneurial Orientation
F.D.I	Foreign Direct Investment
G.D.P	Gross Domestic Product
G.E.M	Global Entrepreneurship Monitor
I.F.C	International Finance Company
I.L.O	International Labour Organization
MPRA	Munich Personal RePEc Archive
NBE	Necessity-Based Entrepreneurship
NCC	National Construction Council
NEB	Necessity Based
ODE	Opportunity-Driven Entrepreneurship
OPD	Opportunity Driven
OUT	Open University of Tanzania
PGDEED	Post Graduate Diploma in Entrepreneurship and Enterprises Development
QS	Quantity Surveyor
SME	Small and Medium Enterprises
SIDO	Small Industry Development Organisation
SPSS	Statistical Package for Social Science
TZS	Tanzanian Shilling
UDSM	University of Dar es Salaam
URT	United Republic of Tanzania
USD	United States Dollar

## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Overview**

This chapter presents the background information of this study. It covers the general information, statement of the problem, general and specific objectives of the study and the research questions. Significance of the study concludes the chapter by providing the relevance of the study.

#### **1.2 Background to the Problem**

Trade liberalization and privatization policies have led to the increased importance of entrepreneurship among different groups across the globe (Elly et al, 2008). The process of entrepreneurship is completed by natural persons who are known as entrepreneurs. Entrepreneurs are therefore people with their own traits, values, visions and motives to accomplish certain objectives in business undertaking. The question as to why people choose to join the business world depends mainly on the motives of the people in question. To understand the motives of entrepreneurs, a distinction is often drawn between "necessity" entrepreneurs pushed into entrepreneurship because all other options for work are absent or unsatisfactory, and "opportunity" entrepreneurs who seek to exploit some business opportunity and are pulled into entrepreneurship more out of choice, William, et al (2008). According to Elly et al (2008), literature on entrepreneurship enumerates several factors shaping entrepreneurial behavior. Entrepreneurial behavior could be ascribed to the personality traits that predispose individuals to perform business activities in a successful way (Wickham 1998). Furthermore , Gurol and Atsan (2006) described



entrepreneurial behavior as a consolidation of a myriad of individual, social and environmental factors and also revealed that the trait model was used in various studies in entrepreneurship and the understanding of why some people choose to be entrepreneurs and not others. While some writers (Schumpeter, 1934; Wickham, 1998; Ndunguru, 2006; Moris and Lewis, 1995) described entrepreneurs in terms of their characteristics, behaviour, culture, personality traits and motivation, most of the studies adopting the trait model, studied on, the needs for achievement, tolerance for ambiguity, risk taking propensity, innovation and locus of control (Gurol and Atsan, 2006).

The distinction between necessity and opportunity entrepreneurship is becoming increasingly important in entrepreneurship research. However, the majority of the studies on this topic have adopted a macroeconomic approach while few studies adopted a microeconomic approach and looked at the creator (Block and Wagner, 2006).

In Europe and other developed countries, some evidence suggests that self-employment is highest for those with the least education and lowest for those mostly educated (Blanchflower and Oswald, 1999). A study conducted in Belgium in 2009 found out that the necessity and opportunity motivations do not have the same sensitivity within the various sectors and also noted that necessity motivations may be, more or less, present depending on the type of economic sector, (Giacomin, 2009). Another study showed as such finding for Latin America in which (Llisterri et al. 2006) a differentiation was made between “necessity” and “opportunity” driven

young entrepreneurs. The study found that opportunity entrepreneurs (those who seize a business opportunity) tended to create growth-oriented enterprises and also had generally higher education levels and were from the middle or upper-middle classes. In Canada a study was conducted to examine how female and male entrepreneurs participating to the Global Entrepreneurship Monitor (GEM) Canada survey compared in terms of their motives to start a business. Motivations, according to the study on Necessity and Opportunity-driven Entrepreneurs in Canada, were compared using the “push-pull” dichotomy among a sample of owners of created firms across Canada. In general, the results of this study show a relationship between success at launching a business and some characteristics of opportunistic entrepreneurs, Robichaud (1989).

In African entrepreneurial activity, according to Global Entrepreneurship Monitor (GEM) report on high-growth entrepreneurship, is heavily skewed toward low-expectation entrepreneurial activity (Autio, 2007; Naude, Thomas, Wood & Aloe, 2008) in Urban, (2011). GEM noted the relative prevalence of opportunity-motivated versus necessity motivated, entrepreneurial activity provides useful insights into the quality of early-stage entrepreneurial activity. GEM research has consistently shown that the economic contribution of opportunity motivated entrepreneurs is higher than for necessity-driven entrepreneurs, who are alternatively termed as survivalists since they face structural challenges where expected returns are low and intermittent, with low expectations of growth and job creation, and where motivation is personal survival (Morris & Pitt, 1995; Ngiba, Dickinson & Whittaker, 2009). Rosa et al (2006) in Olomi (2009) have however questioned the assumption that the poor who

have difficulties meeting basic needs will resort to business activity. They established empirically through a survey and grounded theory in Uganda and Sri Lanka that the poorest section of the deprived population does not engaged in business, but rather seek to maintain their livelihoods through informal employment in other establishments, including micro enterprises.

In Tanzania the concept of entrepreneurship is directly linked with Small and Medium Enterprises (SME) sector. In a course of deriving and explaining anything about the concept of entrepreneurship it is inevitable to mention ‘small and medium business sector’. Small and medium business sector is the one in which the foundation of entrepreneurship concept is concretized. Entrepreneurship is simply referred to starting and running a business.

Accordingly in the most comprehensive manner, Olomi (2009) noted that, entrepreneurship is seen as the act of mobilizing or employing and organizing other factors of production while assuming the associated rewards and risks. He defined it as way of thinking, reasoning, and acting that results in the creation, enhancement, realization, and renewal of values for an individual, group, organisation or society. At the heart of this process is the “creation and/or recognition of opportunities followed by the will and initiative to seize these opportunities” (Gibb, 2005).

The idea that entrepreneurship is at the centre of the economic growth process was described by Schumpeter (1934). Ever since this, there has been a vast and growing literature on various aspects of entrepreneurship and its link to economic growth.

This link has been so well-established that many countries have adopted official policies to promote entrepreneurship as part of the strategy to promote economic growth and development, Robichaud (1989). Man *et al.* (2002) as quoted by Elly et al 2009, ascribe entrepreneurial competences to managerial competences that are needed to sustain business performance.

With regard to entrepreneurship, central to SMEs is the role of the owner-managers who influence firm orientation. Similarly (OECD, 2005) stresses that, due to concentration of decision-making power, competitiveness in SMEs is a function of the role played by the owner-manager. In Tanzania the promotion of entrepreneurs is categorically stated in the SME policy of 2002 as “*Policy Statement: The Government will promote entrepreneurship development through facilitating improved access of SMEs to financial and non-financial services*” URT (2002). In order to promote entrepreneurship, an important issue to understand is what motivates entrepreneurs, Robichaud (1989). This study adds to the literature by developing profiles of necessity based and opportunity driven entrepreneurs in terms of personal and organizational characteristics.

### **1.3 Statement of the Problem**

The dual face of the motives which explain the reason as to why people need to join a business world or to start up business is not yet clear to many people. The Tanzanian community and that of the entire world need to be clear with popular assumption as in (Llisterri et al. 2006) that it is possible to differentiate between necessity based and opportunity driven entrepreneurs. With strong recorded verdicts

evidencing the importance of entrepreneurship in economic and social development of Tanzania, yet the issue of the motives for entrepreneurship looks to carry lesser importance.

The government policy statement, as early noted, in regards to entrepreneurship development noted to promote entrepreneurship development through facilitating improved access of SMEs to financial and non-financial services URT (2002). The perusal of SME policy in general confirms the missing clause that stresses the issue of what motives the entrepreneurs. The author of this study came to realize that, *In order to promote entrepreneurship, an important issue to understand is what motivates entrepreneurs*, Robichaud (1989).

The problem of having not valuing the motives for entrepreneurship, however, instigated an interest to the author of this study to find out whether the motive for entrepreneurship is necessity based or opportunity driven. Coupled to this, another catalyst for the interest in this study is matter of insufficiency of literature which link the concept of entrepreneurship and its motives behind (in terms of necessity based and opportunity driven).

Not only is there a reason to suspect that the nature of networking between Necessity Driven Entrepreneurship and Opportunity Driven Entrepreneurship may differ, but there have been calls for research on these two categories of entrepreneurs, so that this dualistic typology may further be interrogated (McMullen et al., 2008; Williams, et al., 2008) as quoted by Urban (2011). – and this is where the literature gap rests.

## **1.4 General Objectives**

The general objective of this study is to establish whether entrepreneurs in Tanzania are necessity based or opportunity driven.

### **1.4.1 Specific Objectives**

The specific objectives of this research are;-

- (i) To determine why do people choose entrepreneurship as a career.
- (ii) To determine the relationship between the motives and the resulting performance of the firm.
- (iii) To identify the challenges faced by entrepreneurs, i.e;-
  - a) Necessity based entrepreneurs
  - b) Opportunity driven entrepreneurs
  - c) Common challenges for both necessity and opportunity entrepreneurs.

## **1.5 Research Questions**

The aim of this research is to answer a core question of whether entrepreneurs in Tanzania are necessity based or opportunity driven. Specifically, the research ought to answer the following questions

- (i) Why do people choose entrepreneurship as a career?
- (ii) What is the relationship between the entrepreneurial motives and performance of the firm?
- (iii) What are the challenges faced by;-
  - a) Necessity based entrepreneurs?
  - b) Opportunity driven entrepreneurs?
  - c) What are common challenges for both necessity and opportunity entrepreneurs?

## **1.6 Significance of the Study**

The motives which explain the reason as to why people need to join a business world or to start up business and the importance of the entrepreneurship in the economic and social development of a country altogether are the driving forces behind this study. Academically the would be findings of this study will add knowledge and new insight to the Tanzanian community. Some authors (Elly et al (2008), Olomi (2001), Olomi (2009), Kibogoya (2007) and Nchimbi (2003)) have written a lot about entrepreneurship in Tanzania but non of them had an interest in finding out whether people decide to join entrepreneurship because of necessity or they are after exploration of opportunity. So this study acts as a bench mark for researchers who would like to go further in this area of entrepreneurship. Furthermore this study needs to fill the existing academic gap. The study adds value and makes a contribution to the current literature on entrepreneurship in the country. Undoubtedly the findings lastly enable the policy makers of the country to make rational decisions over the unclear issues about the subject matter. The whole of SME policy of 2003 (The policy for entrepreneurship) in general misses a clause that stresses the issue of what motives the entrepreneurs. While it has been learned that - in order to promote entrepreneurship, an important issue to understand is what motivates entrepreneurs, Robichaud (1989).

## **1.7 Organization of the Study**

This study is categorized into five operational chapters, chapter one to five. Chapter one is an introductory one which gives in a concise manner what is all about the study. It comprised of background of the study, statement of the problem, objectives

of the study and research questions, rationale of the study , its limitations and organisation. Chapter two is about literature review. It gives the definitions of major terms and details out the theoretical and empirical literature reviews, conceptual framework. Chapter three deals with research methodology. It gives out research design, major methods and techniques for data collection and data analysis. Chapter four expresses the research analysis process, findings presentations and summary of the findings. The last chapter is chapter five which concludes the findings and gives general recommendations of the study and recommendations for future researches.



## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Introduction**

Entrepreneurship has gained great importance as such the concept has attracted researchers in a number of dimensions. In the course of reviewing the literature, various relevant theories pertaining to and definitions used in explaining entrepreneurship have been considered so as to provide the roadmap of the study. This part therefore addresses extensively various literatures that relate to the entrepreneurship and SME sector. The related empirical literature reviews will as well be provided so as to capture what other writers have said as regard to what are the motives behind entrepreneurship and in particular the differentiated necessity based and opportunity driven entrepreneurs.

#### **2.2 Definition of Key Terms**

Giving definition of key terms of this research is very crucial because any reader will have clear understanding of what is under discussion and most importantly can have an easy follow up of the study.

##### **2.2.1 Entrepreneur**

Entrepreneur is an economic agent who plays a vital role in the economic development of a country. Economic development of a country refers steady growth in income levels. This growth mainly depends on its entrepreneur. An entrepreneur is an individual with knowledge, skills, initiative, drive and spirit of innovation who

aims at achieving goals. An entrepreneur identifies opportunities and seizes opportunities for economic benefits (Kumar, Poornima, Abraham, Jayashree,2003).

An entrepreneur is an owner or manager of a business enterprise who makes money through risk and initiative. The term was originally a loanword from French and was first defined by the Irish-French economist Richard Cantillon. Entrepreneur in English is a term applied to a person who is willing to help launch a new venture or enterprise and accept full responsibility for the outcome. Jean-Baptiste Say, a French economist, is believed to have coined the word "entrepreneur" in the 19th century - he defined an entrepreneur as "one who undertakes an enterprise, especially a contractor, acting as intermediary between capital and labour". (<http://en.wikipedia.org/wiki/entrepreneur>)

In 1755, Richard Cantillon, an Irish Economist, made the first reference to the entrepreneur as an agent who purchases the means of production (land, labour and capital) to combine into marketable products. Until today, traditional economists (and some dictionaries) define the “entrepreneur” as one who employs and organises the other factors of production-land, labour and capital- while assuming the risks of failure and reward of success.(Olomi,2009)

### **2.2.2 Entrepreneurship**

According to Stevenson in Kibogoya (2007), entrepreneurship is the process whereby individuals become aware of business ownership as an option or viable alternative, develop ideals for business, learn the process of becoming an

entrepreneur and undertake the initiation and development of business. The application of entrepreneurship qualities leads to ventures in social, political or business spheres. Entrepreneurship as an economic enterprise demands abilities in creativity, innovation, resource gathering, the capacity and motivation to start an enterprise, and willingness to undertake risk and uncertainty, Das(2005).

Entrepreneurship is simply referred to starting and running a business. Accordingly in the most comprehensive manner, Olomi(2009) noted that, entrepreneurship is seen as the act of mobilizing or employing and organising other factors of production while assuming the associated rewards and risks. He defined it as way of thinking, reasoning, and acting that results in the creation, enhancement, realization, and renewal of values for an individual, group, organisation or society. At the heart of this process is the “creation and/or recognition of opportunities followed by the will and initiative to seize these opportunities”(Gibb, 2005).

Entrepreneurship is considered as the driving force behind changes in the economy as well as business environment. The term entrepreneur has evolved over the years to be used to mean an individual (group of individuals) who has the ability to see and evaluate the business opportunity existing in the environment and take advantage of it. An entrepreneur is considered to be a person with ability to take risk of organizing resources into business venture and manage it with the aim of being successful. Entrepreneurship can operationally be defined as the ability or attempt to create and manage a new venture. It is linked with the qualities and activities of entrepreneur i.e. to see an opportunity and being able to benefit from it, Mfaume, 2004.

### **2.2.3 Opportunity Driven Entrepreneurship**

Opportunity driven entrepreneurship generally occurs when an entrepreneur is attracted to start up a business after envisaging availability of business opportunities. Barringer and Ireland (2006) explained an opportunity as a favorable set of circumstances that creates a need for a new product, service or business. The opportunities themselves often emerge from changes in economic, technological, government, and social factors. When entrepreneurs notice links or connections between these changes, ideas for new ventures may quickly follow.(Baron and Shane, 2008). Accordingly Coulter (2001) sees opportunities as ‘positive external environment trends or changes that provides unique and distinct possibilities for innovating and creating values’.

According to Gaglio and Katz(2001), understanding the opportunity identification processes represents one of the core intellectual questions for the domain of entrepreneurship. It was asserted by Marriotti and Glackin (2010) that there is a simple definition of entrepreneur that captures the essentials: An entrepreneur recognizes opportunities where other people see only problems. Entrepreneurship involves the key actions of identifying an opportunity that is valuable in the sense that it can be exploited in practical business terms and yield sustainable profits. The entrepreneur always searches for changes, responds to it, and exploit it as an opportunity( Drucker, 1985). Timmons (1999) defines a business opportunity as an idea, plus four characteristics;- 1.It is attractive to customers 2.It will work in your business environment.3.It can be executed in the window of opportunity (which is the amount of time you have to get your business idea to the market) that exists. And

4. You have the resources and skills to create the business or you know someone who does and who might want to form a business with you.

According to Mariotti and Glackin, 2010, Opportunities are often seen as noticeable circumstances. Such circumstances may be;- 1. Problems that your business can solve. 2. Changes in laws, situations or trends. 3. Inventions of totally new products or services. 4. Competition. If you can find a way to beat the competition on price, location, quality, reputation, reliability or speed, you may create a very successful business with an existing product or service. And 5. Technological advances. Scientists may invent new technology, but entrepreneurs figure out how to use and sell new products based on it.

#### **2.2.4 Necessity Based Entrepreneurship**

According to Oyhus (1999) in Olomi 2009, Businesses started out of necessity are characterized by neither innovative risk-taking nor opportunity – seeking behaviours of their founders. They only start something (e.g business activity) because they have to. The basic idea is that due to environmental circumstances the founders have been forced to start some business activity to secure their livelihood. In other words, if they had a choice, they would only take or maintain a salaried job. In some cases, individuals have no other way of generating income, so they do the only thing they can – start a business.

In other situations, the business founders have a salaried job but the salary is not enough to meet basic family needs. In this aspect they have two choices, they can quit their jobs and start doing something of their own, which hopefully will generate

more income, or set up a business on part-time basis to supplement the salaried income.

### **2.3 Development of Entrepreneurs**

According to Kumar, Poornima, Abraham and Jayashree (2003), the term Entrepreneur is derived from French verb *entrepredre* which means to undertake. In early 16<sup>th</sup> century the Frenchmen who organized and led military expeditions were referred as entrepreneurs. In the early 18<sup>th</sup> century French economists Richard Cantillo used the term entrepreneur to business. Since that time the entrepreneur means one who takes the risk of starting a new organization or introducing a new idea, product or service to society.

According to J-B.Say in Kumar et al (2003), an entrepreneur is the economic agent who unites all means of production; land of one, the labour of another and capital of yet another and thus produces a product. By selling the product in the market they pays rent of land, wages of labour, interest on capital and what remains is his profit. Thus entrepreneur is an organizer who combines various factors of production to produce a social viable product.

Joseph Schumpeter, (1934) defined entrepreneur in an advanced economy as an individual who produces something new in the economy a method of production not yet tested by experience in the branch of manufacture concerned , a product with which consumers are not yet familiar, a new source of raw materials or of new markets and the like. Schumpeter gave out four functions of entrepreneur as;

introduction of new product, introduction of methods of production, developing new markets and finding fresh source of raw materials, and making changes.

### **2.3.1 Characteristics of entrepreneurs**

- a) Entrepreneurs are action oriented, highly motivated individuals who take risks to achieve goals
- b) Entrepreneurs will have unwavering determination and commitment. They are creative and result – oriented. They work hard in returns for personal and financial rewards.
- c) Entrepreneurs accept responsibilities with enthusiasm and endurance.
- d) Entrepreneurs have self-confidence, they are dedicated, setting self determined goals and markets for their ideas responding to existing market.
- e) Entrepreneurs are both thinkers and doers, planners and workers.
- f) Entrepreneurs can foresee the future, as a salesman's persuasiveness, a financial talent for manipulating funds , as an auditors precision etc
- g) Entrepreneurs depend on the intelligence, imagination and strength of purpose of the individual.

### **2.3.2 Various Concepts in Entrepreneurial Attitudes and Behaviors**

#### **i) Risk – taking Propensity**

People vary on how they exhibit risk taking or risk avoidance when they are faced with risky environment (Turkey 2006; Yusof, Sandhu and, Jain 2007). The propensity toward risk has thus been useful in segregating entrepreneurs from non entrepreneurs. Entrepreneurs are ascribed as individuals who dare to take calculated

risks. Literature on entrepreneurship is thus, supportive of the positive relationship between risk taking and entrepreneurial behaviors of entrepreneurs.

## **ii) Locus of Control**

Locus of control is a variable that explains person's extent to which he/she perceive able to control events in his/her life. This has far reaching effects especially on the responsibilities a person assume in life (Yusof et al, 2007; Cromie, 2000). Distinguishing entrepreneurs from those who are not using this variable take into account the internal and external aspects of the control. While entrepreneurs are individuals who believe to be able to control life events (internal locus of control) non entrepreneurs on the other hand believe that the external factors control and shape life. Studies which involved students show that internal locus of control is positively related to the student's inclination to become entrepreneurs (Mueller & Thomas,2000). Gurol & Atsan (2006) expound that entrepreneurs are expected to be people capable of searching for few opportunities and take on an innovative action as they control events in and over their lives. These are people capable of influencing and bringing changes in their lives.

## **iii) Need for Autonomy**

Entrepreneurs being what they are; innovative, risk takers, exerting internal locus of control, creative and high need for achievement often require less restricted environment to put into effect their desired actions. This independence allows entrepreneurs to be in control of their actions. This kind of environment provides for creativity and intrinsic rewards important for achievers (Cromie, 2000).



Entrepreneurs have shown to be individuals with strong need for autonomy than others (Cromie and O' Donoghue, 1992) and likely to isolate themselves from others due to strong independence.

#### **iv) Need for Achievement**

The need for achievement is the impetus deriving a person to struggle for success and exactness (Elly et al, 2008). People with high need for achievement are those who desire to differentiate through problem solving, and have a behavior towards competition and excellence. This behavior could be encouraged by some cultural values. According to Entrialgo et al (2000) high need for achievement predisposes young individuals to pursue an entrepreneurial career so as to perform better and get a satisfaction that could otherwise not be obtained from other careers. Studies on entrepreneurship have shown a positive relationship between high need for achievement and entrepreneurship (Shaver and Scott, 1991; Cromie 2000)

#### **v) Innovativeness**

Overtly literature on the entrepreneurship indicates that there is a strong association between innovativeness and entrepreneurship, Elly et al.2008. This variable goes with risk taking. Thus, people with high index in entrepreneurship tendencies are also more innovative and able to try new life changing activities or businesses. The extent at which a person is innovative reflects his or her entrepreneurial tendency. Schumpeter (1934) avows that innovation is central in characterizing an entrepreneur. The ability to perceive and act on business activities in new and unique ways (Robinson et al.1991) differentials entrepreneurs from managers.

## 2.4 Theoretical Literature Reviews

### 2.4.1 SMEs in Tanzania

SME Development policy defines SMEs as enterprises employing 5 to 99 workers with a capital up to Tsh.800 million. The sector is estimated to account for around 3 million people. Categorically the majority of micro – enterprises fall under informal sectors. Micro enterprises are those engaged up to 4 people while small enterprises are those engaged between 5 and 49 employees and medium are those which employ between 50 to 99 employees.

Generally SMEs can provide a revenue for transforming the economic structure to support growth and engender the participation of diverse segments of the population in developing countries (Packer, Riopelle, and Steel 1995). In Tanzania SMEs act as a cushion to more than 700,000 school leavers who become new entrants to the labour market every year with only a small proportion absorbed in the public sector (SIDO,2007) in Manyanya, (2007). It is therefore appropriate to say that SMEs form the foundation on which the private sector rests and hence accelerate the process of poverty reduction and economic growth of the country.

**Table 2.1 Classification of SMEs in Tanzania**

No	Category	Number of Employees	Capital Investment in Ths
1.	Micro enterprises	1 – 4	Up to 5 million
2.	Small enterprises	5 – 49	Above 5 million to 200 million
3.	Medium enterprises	50 – 99	Above 200 million to 800 million
4	Large enterprises	100 and above	Above 800 million

Source: Tanzania SME Development Policy, 2002

## **2.4.2 The Importance of SMEs in Tanzania and Its Linkage to Entrepreneurship**

Small and medium enterprise plays a very important role in the overall economic development of developing countries. In many developing countries small enterprises account for a large share of total employment. They provide a productive outlet for the entrepreneurial spirit of individuals and assist in the dispersion of business activity throughout the economy. The economic impact of SMEs can be measured by its contribution to output, employments, income, investment, exports and other economic indicators (Cavusgil, et al, 1989) in Sangua,(2009).

Within the Tanzanian context, the SME business sector is viewed as an effective vehicle for generating employment, activating competition, providing equitable distribution of income, exploiting markets opportunities (both locally and internationally), enhancing productivity and stimulating economic development, Olomi (2009). It is an unquestionable fact that the SME plays an important if not critical role in the economic and social development of a country. It is estimated that about one third of the GDP in Tanzania originates from the SMEs sector, Olomi (2007).

The International Finance Company (IFC) of the World Bank estimates that there are approximately 2.7 million enterprises in the country. A large majority of these (98%) of micro enterprises (employing less than 5 people). Though data on the SMEs sector are rather sketchy and unreliable, it is reflected already in the above data that SMEs sector plays a crucial role in the economy (Olomi,2006). The IFC estimates that

there are approximately 2.7 million enterprises in the country out of which about 60% are located in urban areas. They are labour-intensive in nature, and have been established using savings or grants from family and friends IFC (2005).

There is an apparent relationship we are noticing in Tanzania that provides a direct link between entrepreneurship and Small and Medium Enterprises (SME) sector. The promotion of entrepreneurship of all other policies is only stated in the SME policy of 2003. It is hereunder stated as “*Policy Statement*” which reads “*The Government will promote entrepreneurship development through facilitating improved access of SMEs to financial and non-financial services*” URT (2003).

In a course of deriving and explaining anything about the concept of entrepreneurship in Tanzania it is, therefore, inevitable to mention ‘small and medium business sector’. SME sector is the one in which the foundation of entrepreneurship concept is concretized for that matter. Although it is termed as SME policy, it includes even the guidance for large enterprises.

#### **2.4.3 Entrepreneurial Orientation and Firm Performance**

The performance of the firm can be described in terms of its growth. Growth is explained by Penrose (1959) as increase in size or an improvement in quality as a result of a process of development. Entrepreneurial Orientation has nowadays been recognized as one of the most important factors for a firm’s growth and profitability. Research has shown that high growth correlates with a firm’s entrepreneurial orientation (Stevenson & Jarillo, 1990). However, the said growth can be associated

with innovativeness, pro-activeness and risk-taking behavior of the firm, which refers to an entrepreneurial orientation dimension.

Lumpkin and Dess (1996) have drawn attention to the complexity of entrepreneurial orientation (EO) on performance relationship and suggest that the relationship between entrepreneurial orientation (EO) and performance relationship is context specific. In other words, the degree of the relationship between entrepreneurial orientation (EO) and firm performance is influenced by external environment as well as internal organizational processes. However, Penrose (1959) viewed the concept in different dimensions where the coordinating number of internal factors leads to increase in size and changes in the characteristics of the growing firm.

Zainol and Ayadurai (2011) researched on entrepreneurial orientation (EO) in Malay family firms by considering personality traits as the antecedent. Their construct was used to explain the influence of entrepreneurial orientation (EO) and its consequence towards firm performance. They came to realize that the relationship between personality traits with firm performance in Malay's firm was not mediated by entrepreneurial orientation

Some writers, Lumpkin and Dess (1996) and Keh *et al.* (2007) perceived entrepreneurial orientation as the one having an influence on the performance of the firm and in some ways shapes the skills and abilities of the firm's employees which normally has an impact in the business performance. Furthermore entrepreneurial orientation is viewed an important aspect for firms in a dynamic environment. It has

been realized that entrepreneurial orientation has the potential to replace the outdated business models or changing the firm's position on the entrepreneurial orientation continuum from conservative to entrepreneurial firms (Covin *et al.*, 2006).

#### **2.4.4 The Entrepreneurship Theories**

##### **i) The Enforced Spirit**

According to Olomi, (2009) the enforced spirit represents owner – managers who, due to environmental circumstances (lack of jobs, retrenchment, etc) have been forced to start some business activities to secure their livelihood. These are characterized by neither risk-taking nor opportunity – seeking behaviors. They only start something (business activity) because they have to. Also, they start businesses which they consider safe, because a small profit is strategically more important than incurred but high return on capital. They typically start businesses that need a small amount of skills and knowledge. They would prefer a salary and regular working conditions to doing business. According to this view, those with a business spirit are likely and those with the enforced spirit are unlikely to pursue growth.

##### **ii) Career Anchor Theory**

Career Anchor is defined as ‘the pattern of self-perceived talents, motives and values which serve to guide, constrain, stabilize or integrate the person's career (Schein, 1978). According to career anchor theory (Katz, 1994), the self- employed fall into one of two career anchors, named autonomy/independence and entrepreneurship. Autonomy is a desire for freedom from rules and control others, where as

entrepreneurship focus on something new, involving the motivation to overcome obstacles, the willingness to run risks and desire for personal prominence in what is accomplished. Katz (1994) offers examples of the prototype for career anchor patterns. The career Anchor theory posits that not only do those who fall under entrepreneurial anchors move upwards in salaried employment, but they are also more likely to be growth motivated in self – employment careers.

**Table 2.2      Prototype for Career Anchor Assessment**

<b>Feature</b>	<b>Autonomy</b>	<b>Entrepreneurship</b>
Status changes in wage/salaried	Employment moves little	Change to higher status frequent
Growth	Typically no- esp.after start up	Firms sales substantial
Income	Low to moderate	High (for industry)
Firm sole proprietorship	Typically yes	Typically no
Number of employees	Low to moderate- for industry	High (for industry)
Habitual entrepreneurs pattern	Own firms serially	Own multiple firms simultaneously
Multiple business sites	Typically no	Typically yes

Source: Jerome, A. Katz (1994)

### **iii)      The Innovative Spirit Theory**

According to this theory as quoted in Olomi (2009), some business operators start a business primarily to pursue a particular idea or invention. For them, to do business or make a profit is of secondary importance. The innovative type of owner-manager are not typically active opportunity seekers in the sense that every opportunity is as

important as any other. Rather, they act only when the right type of opportunity knocks. However, they may be active opportunity seekers in the sense that they actively utilize their environment to complete the invention. The innovative owner – managers are also typified by a high degree of risks – taking.

#### **iv) Evolution of Growth Motivation**

Olomi (2001) demonstrated that the entrepreneurial process among those who start a business out of economic necessity is very different from those who start one as a chosen career. Those who start businesses from choice have an interest in, enthusiasm for and commitment to the business and entrepreneurial career beforehand. This is the case among most owner-managers in developed countries. However, among developing countries, such as Tanzania, entry into business is largely a result of economic necessity. They initially start grudgingly. A subset of those owner – managers who start businesses out of economic necessity do develop interest in, and commitment to, the career.

#### **v) The Social Action Theory**

According to Stanworth and Curran (1976), this theory posits that owner- managers differ significantly in terms of their self- perception, the meaning they attach to business activities and therefore their motivation grow. Further, these meanings are socially generated and sustained. People will choose to run businesses whose structure and size conform to their perceived self – image and their corresponding intrinsic needs. The theory categorises owner-managers into three types: “artisan”, “entrepreneur” and “manager”.



The artisans are motivated primarily by the intrinsic satisfaction that arises from personal autonomy, status in society, satisfaction at producing a quality product and offering a personal service. Their motivation demands that they continuously maintain a direct operating role in the business.

The classic entrepreneur is an owner- manager motivated by a combination of profit and freedom from control by others. He/she is willing to sacrifice intrinsic rewards in order to maximize personal financial returns. He/she however needs to exercise direct personal control over the business and hence growth beyond a level which necessitates delegation of managerial responsibilities is avoided. Managers are motivated by the desire to gain recognition by significant others for managerial excellence, the desire to create something new and personal prominence in what is accomplished and concern to ensure that their offspring will eventually benefit from the enterprise. They seek and allow the firm to grow into a large organization as a means of meeting their needs.

## **2.5 Empirical Literature Reviews**

In Europe, some evidence suggests that self-employment is highest for those with the least education and lowest for those mostly educated (Blanchflower and Oswald, 1999). Another study showed the same finding for Latin America in which (Llisterri et al. 2006) a differentiation was made between “necessity” and “opportunity” driven young entrepreneurs. The study found that opportunity entrepreneurs (those who seize a business opportunity) tended to create growth-oriented enterprises and also

had generally higher education levels and were from the middle or upper-middle classes. These “opportunity” driven entrepreneurs also created more employment. Entrepreneurship by “necessity”, defined as economic activities by young persons who are pushed into self-employment because they are unable to find other employment is more often found among the poor and among those with lower levels of education. Their ventures tend to be very fragile, they create little employment for others and remain small (Joni and Christensen, 2009).

Giacomin, Janssen, Guyot and Lohest (2011) conducted a study in Belgium which tried to identify the impact of the socio-economic characteristics of entrepreneurs on their opportunity-necessity positioning. Basing on a sample of 538 entrepreneurs, they point out that individuals who get involved in an entrepreneurial process, have encountered a situation of necessity and/or opportunity and that the latter can take various forms. Although their study based on the business environment which do not match with Tanzanian’s, they managed to show the impact of the socio-economic characteristics of entrepreneurs on the alignment of their project with a necessity or opportunity entrepreneurial dynamics. They also highlighted the existence of sub-profiles of entrepreneurs within the necessity-opportunity typology and stressed that “not all jobseekers are necessity entrepreneurs and that new venture creation based on family influence may convey both a necessity and an opportunity dimension”.

Finally, their study reveals a new kind of entrepreneurship, i.e. hobby entrepreneurship. Entrepreneurial activity in Africa is heavily skewed toward low-expectation entrepreneurial activity; this is according to Global Entrepreneurship

Monitor (GEM) report on high-growth entrepreneurship (Autio, 2007; Naude, Thomas, Wood & Aloe, 2008) in Urban, (2011). The primary objective of GEM was to explore differences in national levels and types of entrepreneurship. The relative prevalence of opportunity-motivated versus necessity motivated (i.e, entrepreneurs who say they are involved in an entrepreneurial effort to take advantage of opportunity or because they have no better choices for work), entrepreneurial activity provides useful insights into the quality of early-stage entrepreneurial activity. GEM research has consistently shown that the economic contribution of opportunity motivated entrepreneurs is higher than for necessity-driven entrepreneurs, who are alternatively termed as survivalists since they face structural challenges where expected returns are low and intermittent, with low expectations of growth and job creation, and where motivation is personal survival (Morris & Pitt, 1995; Ngiba, Dickinson & Whittaker, 2009). This is in contrast to opportunity-driven entrepreneurs, who say are they are pursuing a business opportunity and strive for independence, and are largely responsible for up to 80 per cent of all job creation by entrepreneurs (Autio, 2005) in (Urban, 2011). Accordingly Urban, 2011, insisted that the classification of necessity-driven entrepreneurship (NDE) versus opportunity-driven entrepreneurship (ODE) with which his paper had found to differ systematically in terms of (1) expectations of job creation, (2) projections for out-of-country exports, (3) intention to replicate existing business activity versus creating a new niche, and (4) participation in one of four business sectors.

Rosa et al (2006) in Olomi (2009) have however questioned the assumption that the poor who have difficulties meeting basic needs will resort to business activity. They

established empirically through a survey and grounded theory in Uganda and Sri Lanka that the poorest section of the deprived population does not engaged in business, but rather seek to maintain their livelihoods through informal employment in other establishments, including micro enterprises. The implication is that the “economic necessity” or enforced spirit enterprises are set up by a section of the community which is relatively more opportunity driven or entrepreneurial than the poorest segment. This is consistent with the recognition by micro – finance practitioners and researchers that micro-finance is not for the poorest of the poor, because often they do have the capacity to use the loans productively and to repay them. As a result, micro finance is targeted at the economically active poor.

In the study on *Necessity and Opportunity-driven Entrepreneurs in Canada*, by Robiachaud (2012) which aimed at examining how female and male entrepreneurs participating to the Global Entrepreneurship Monitor (GEM) Canada survey compared in terms of their motives to start a business. Motivations were compared using the “push-pull” dichotomy among a sample of owners of recently created firms across Canada.

In general, the results of this study show a relationship between success at launching a business and some characteristics of opportunistic entrepreneurs such as: level of education, skills, self-confidence, income and networking. As men tend to have acquired these characteristics in a higher proportion than women, it would not be surprising to see women obtaining on average lower results than men when these characteristics are measured.

In the study by Olomi (2001) that involved 289 owner – managers of small and medium sized millers, 13 start- up reasons were factored and four factors emerged, which are autonomy, growth, security and survival strategy. Besides, in the study that employed factors analysis of 17 start – up reasons on data from 350 male – female entrepreneurs, Inchimbi (2002) identifies six factors, which are: career frustration, need for independence/autonomy, need for freedom and flexibility need for achievement, role mode and economic necessity/survival.

Olomi (2009) in his study “from economic necessity to entrepreneurship” demonstrated that the entrepreneurial process among those who start a business out of economic necessity is very different from those who start one as a chosen career. Those who start businesses from choice have an interest in, enthusiasm for and commitment to the business and entrepreneurial career beforehand. This is the case among most owner-managers in developed countries. However, his study concentrated only on one part of this study i.e necessity. Accordingly it was highlighted that among developing countries, such as Tanzania, entry into business is largely a result of economic necessity. They initially start grudgingly. A subset of those owner – managers who start businesses out of economic necessity do develop interest in, and commitment to, the career.

Olomi (2001) studied on motivational issues in general and singled out incidence, antecedents and consequences of growth seeking behavior among owner – managers. Although the study was not directed at identifying necessity and opportunity entrepreneurs, it sheds some light in attempting to explain motivational issues as

driving entrepreneurs. Some variable used in this study finds residence in the current study i.e there exist variations in terms of behavior and motivation to grow among entrepreneurs.

Nchimbi (2003) undertook a study with variable that explain start – up motivation, individual characteristics and perceptions of business success. This study's objective was to examine entrepreneurial start-up motives, individual characteristics and perception of business success treating gender as variable that influence these attributes.

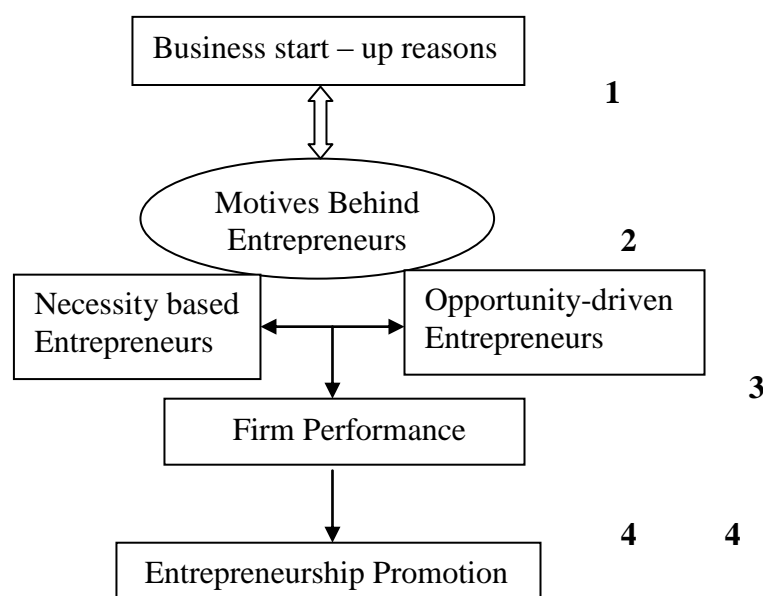
The results found in this study indicate that there is a variation in terms of start-up motive and individual characteristics between male and women entrepreneurship in Tanzania. However this study usefulness in this context is through setting grounds for the discussion about different attributes of an entrepreneur, yet it does not offer clear explanations as to whether there is existence of necessity or opportunity entrepreneurs.

However we have noted aspects and factors found empirically to influence the behaviors towards business among people as well as motives behind the entrepreneurs. Much of these studies to a great extend will provide for the ground through which the current problem will be based. The present study is therefore expected to unveil the issue as to whether people join business world due to necessity or they are after opportunities and this will cover the gap that has not been address by previous studies.

## 2.6 Conceptual Framework

Entrepreneurship activities play a very crucial role in Tanzanian economy and hence its promotion is necessary. In order to promote entrepreneurship it is very important to understand why do people need to start own private businesses and what the motives behind such entrepreneurs. With this feeling it is more important to understudy whether entrepreneurs are necessity based or opportunity driven.

However the motives behind entrepreneurs and start up reasons are interrelated to each other. With this regard the relationship between such motives and firm performance will be well understood. All the process of the above nature will assist in the formulation of entrepreneurship promotion strategies. This study aims to propose mechanisms for promotion of entrepreneurship in Tanzania. It is believed under this study that in order to promote entrepreneurship, an important issue to understand is what motivates entrepreneurs, i.e whether are necessity based or opportunity driven.



**Figure 2.1 Conceptual Framework**

## **2.7 Literature Gap**

There is a growing literature on entrepreneurship worldwide. According to the literature review on entrepreneurship in Tanzania as reported in various researches, in this study, it has been revealed that many of them concentrated their studies on other areas but none of them had bothered to study on whether the entrepreneurs in Tanzania are necessity based or opportunity driven. Certainly there is a proof that there is insufficiency of literature which attempted to react on the core question of this study though the importance of determining the motives behind the entrepreneurs which is very crucial in the case of their promotion. Therefore this study fills the existing literature gap by investigating on whether entrepreneurs in Tanzania are necessity based or opportunity driven.



## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This part of the study presents the research methodology on how the research is designed and how it was carried out. Sampling area of the study, type of data, instruments for data collection and data analysis have also be explained in this part.

#### **3.2 Research Design**

The study have applied a descriptive research design using survey technique in which the required information have been gathered from the selected respondents. This research was guided by a descriptive type of research design as defined by Kothari ( 2009) that a descriptive study aims at giving the description of the state of affairs as it exists at present. According to Kothari (2009), in business research the term *Ex post facto research* is commonly used for descriptive studies. The main characteristic of this research design method is that the researcher has no control over the variables; he can only report what has happened or what is happening.

The choice of which design to use depends on several factors including the nature of information sought in relation to the study objectives. The major emphasis is on discovery of ideas and insight; as such the research design appropriate for such studies must be flexible enough to provide opportunity for considering different aspects of a problem under study. Kothari (2006) argued that, in descriptive research design, the major emphasis is on determining the frequency with which something occurs.

### **3.2.1 Desk Research and Field Research**

Intensive literature review have been undertaken. The study have concentrated on the search of various academic literatures for concepts, theoretical developments and empirical studies relevant for this research, collection of quantitative and qualitative information from published or any other sources. The purpose of collecting this kind of data was to get the information about the motives of entrepreneurs in Tanzania whether based on necessity or opportunity. All available relevant documents have been reviewed.

### **3.3 Targeted Population**

The sampled target population in this study consists of various practicing entrepreneurs doing business in varied capacities and in a number of different undertakings. This sample population was chosen due to the constraints of time, research ability and financial constrains for travelling to other regions.

#### **3.3.1 Sampling**

The sampling size of this study generated from entrepreneurs within business community in Kinondoni - Dar es Salaam and also from out of the envisaged ones from various business undertakings such as retail/wholesale shops, groceries, hardware shops, parks, garment shops, auto spare sellers, electronics shops, saloons, service providers, carvings market, consultants and other various businesses often best known by the researcher. The respondents from the sampling frame have been selected out of small and medium entrepreneurs at Kinondoni. The sample units in this study were female and male entrepreneurs of various age ranges.

### **3.3.2 Sample Size and Selection**

For the purpose of this study, a sample size of one hundred and fifteen (115) small and medium entrepreneurs in total and were randomly selected from among the population of entrepreneurs who are performing their businesses in Kinondoni municipality in Dar es Salaam. The selected sample size has provided enough information to answer the study objectives leading to valid conclusion and recommendations.

Kothari (2006) defines an optimum sample as one which meets the requirements of efficiency, reliability and flexibility. The sample size is as well chosen due to time, reach-ability and financial constrains for distributing questionnaires to a scattered number of respondents. This is a deliberate sampling as noted by Kothari (2006) where deliberate selection of particular units of the universe for constituting a sample which represents the universe.

### **3.3.3 Study Area and Population**

The study was conducted in Kinondoni Municipality – Dar es Salaam where there is a good number of trading activities. This area enabled easy execution of the study since the researcher was familiar with the area and thus it hoped that familiarity with the area would help the researcher to get the necessary data easily to permit timely completion of the research study. The target population for the study were the entrepreneurs of different age groups. These people referred in this study were those having the age above 18 years and who have differentiated levels of education.

### **3.4 Data Collections**

#### **3.4.1 Data Collection Instrument**

The main data collection instrument employed in this study was questionnaire. The questionnaires were administered by the researcher and distributed to various number of entrepreneurs through survey. The data collected via questionnaires from necessity based and opportunity driven entrepreneurs included demographic and social economic variables and information on motivational factors, knowledge, entrepreneurs' performance, characteristics and challenges faced by such entrepreneurs were obtained from surveyed entrepreneurs.

#### **3.4.2 Data Sources**

This section indicates and clarifies the different sources of both primary data and secondary data that were used in this study and the ways used in collecting them. For the purpose of this study primary data collected through survey questionnaires which were distributed to various entrepreneurs. Secondary data on the other hand were obtained through reviewing various documents and publications from various sources including government departments, books, journals and electronically published articles.

### **3.5 Data Analysis and Interpretations**

The analysis and interpretations of data in this study have based on the primary data that will be collected from the field and secondary data available from various reports prepared by different institutions and stakeholders as well as from literature reviews. The purpose of the fieldwork is to collect primary and secondary data and

solicit appropriate information from literature review that will be considered as a key in complimenting secondary information and gather contextual information for validating and updating existing entrepreneurs and their motives behind.

Quantitative data have be collected and summarized to ensure that they have been in suitable form for addressing both research questions and the method of analysis used. This was done while ensuring that original meanings of the statements made by respondents are maintained. The summarized data then were coded and used for subsequent statistical analysis. The data collected through questionnaire were analyzed by using Special Package for Social Sciences (SPSS) computer package for that matter. Qualitative data were collected through questionnaires and then content analysis was done to deduce the intended findings.

## **CHAPTER FOUR**

### **4.0 PRESENTATION, ANALYSIS AND DISCUSSION OF THE FINDINGS**

#### **4.1 Introduction**

This chapter presents the research findings, data analysis, interpretation and discussions in relation to main and specific objectives. The chapter starts by outlining some desirable reasons as to why people need to join business world. Later the research presents the findings obtained through the use of instruments proposed in the research methodology such as structured questionnaires from each surveyed entrepreneurs.

##### **4.1.1 Data Cleaning**

115 questionnaires were administered in this study. Out of these, 107 questionnaires were returned giving a response rate of 93%. Each questionnaire was inspected and corrected for purpose of detecting errors as well as cleaning data before being coded in the computer. The inspection and correction was done in two ways; firstly, in the field and secondly, during the process of coding the data. In the field, the data were inspected to detect the most garish omissions and inaccuracies in the data. To clear the data, we arranged an interview with particular respondents in order to get accurate data. Then before coding the data, 7 questionnaires were dropped because of being improperly filled and contained incomplete answers, thus we remained with 100 useable questionnaires giving a response rate of 87% which were considered satisfactory for subsequent analysis; we considered them according to Churchill (1996) that they could provide proper quality of research information.

#### 4.1.2 Validity and Reliability of Data

Validity is the most critical criterion and indicates the degree to which an instrument measures what is supposed to measure while reliability is concerned with consistency of responses with which the repeated measure produces the same results across time and observers (Saunders et al. 2007). For this study, the major research instrument which was proposed to ensure validity and reliability was the structured questionnaires method which involved preparation of interview questions, sending to entrepreneurs who are involved directly in trading. By the use of the selected research instrument, the questions and statements were classified into categories and coded and analyzed by SPSS so that the appropriate descriptive statistic results on each statement were known. The use of survey technique, cross examination among different respondents assisted in ensuring validity and reliability.

We used reliability test to determine internal consistency of scale, which assessed the degree to which the items were homogeneous and how consistent individuals respond to the items and questions. Reliability is achieved if the instrument produces the same results when successfully used by different researchers (Elly et al, 2008). This study proposed the use of cronbach alpha at levels between 0.7- 1 to measure the reliability of the instrument (Cronbach, 1951). The reliability test was done using SPSS package and the results are shown below.

**Table 4.1 Reliability Statistics for Internal Consistency of Data Reliability Statistics**

<b>Cronbach's Alpha</b>	<b>N of Items</b>
.773	28

Source: Field Data (2012)

## 4.2 Profile of the Respondents

### 4.2.1 Distribution of the Respondents by Gender, Age and Marital status

**Table 4.2 Respondents Distribution by Gender**

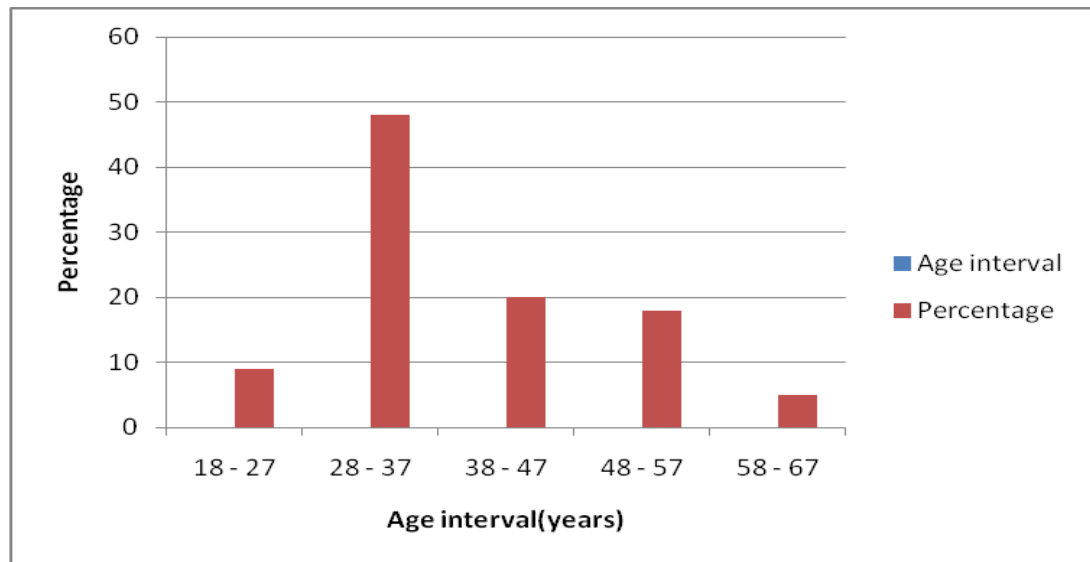
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	63	63.0	63.0	63.0
Female	37	37.0	37.0	100.0
Total	100	100.0	100.0	

Source: Field data, (2012)

The results from table 4.2 show that among one hundred respondents (100), 63% were male entrepreneurs and 37% are female entrepreneurs. This means that men are likely to act more entrepreneurially than women.

In age wise it was noted that entrepreneurs who are right now doing businesses are from 25 years of age to 67 years ranging from 1% to 8% where those with 28years and 34years were ranked the highest as shown in age group table (see appendix 3). There after the age groups of the respondents using class interval of 10 years were chosen from the respondents who have attained age of majority. The results (see figure 4.1) from age group interval revealed that the leading group in doing business is entrepreneurs aged from 28 to 37 years which accounts for 48% of all. This means that the most energetic and independent age group is the one which leads in starting and managing private businesses. The age between 18-27 years as far as education system of Tanzania is concerned comprise of people who are in schools at various levels.





**Figure 4.1 Respondents Distribution by Age**

Source: Field data, (2012)

Marital status of the respondents was categorized as married and not married where the former are those in marriage right now and the later combines singles, divorcees and widow(er)s who right now are not in marriage. The results of the study revealed that 72% of the respondents who start up own businesses are married and the remaining 28% are not married as illustrated in table 4.3

**Table 4.3 Marital Status of the Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Married	72	72.0	72.0	72.0
Not married	28	28.0	28.0	100.0
Total	100	100.0	100.0	

Source: Field data, (2012)

#### 4.2.2 Respondents Distribution by Education

**Table 4.4 Level of Education**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Never attended school	9	9.0	9.0	9.0
Primary	43	43.0	43.0	52.0
O-level Secondary School	22	22.0	22.0	74.0
A-level secondary school	6	6.0	6.0	80.0
Post secondary school certificate or Diploma	8	8.0	8.0	88.0
Advanced Diploma or Degree	4	4.0	4.0	92.0
Postgraduate qualification	8	8.0	8.0	100.0
Total	100	100.0	100.0	

Source: Field data, (2012)

The results of the study (Table 4.4) revealed that primary schools leavers lead in starting and managing the business with 43% while those with first degrees and equivalent qualifications being the least in the list with 4%. With this results its very likely that this group of people do not have good and paying salaries jobs thus why were compelled by labour market forces to go for private business. A number of graduates and post graduates for this matter are likely to have salaried jobs and hence had no reasons to engage in starting a private business. Only few of them who had seen a necessity to exploit existing opportunities decided to be entrepreneurs of possibly have missed vacant jobs.

**Table 4.5 Attendance of Business Education**

	Frequency	Percent	Valid Percent	Cumulative Percent
Attended business school	26	26.0	26.0	26.0
No	74	74.0	74.0	100.0
Total	100	100.0	100.0	

Source: Field data, (2012)

On the side of business education the results show that among 100 respondents only 26% have attended courses in business management or entrepreneurship mean while the remaining 74% did not go to business school (as shown in Table 4.5 above).

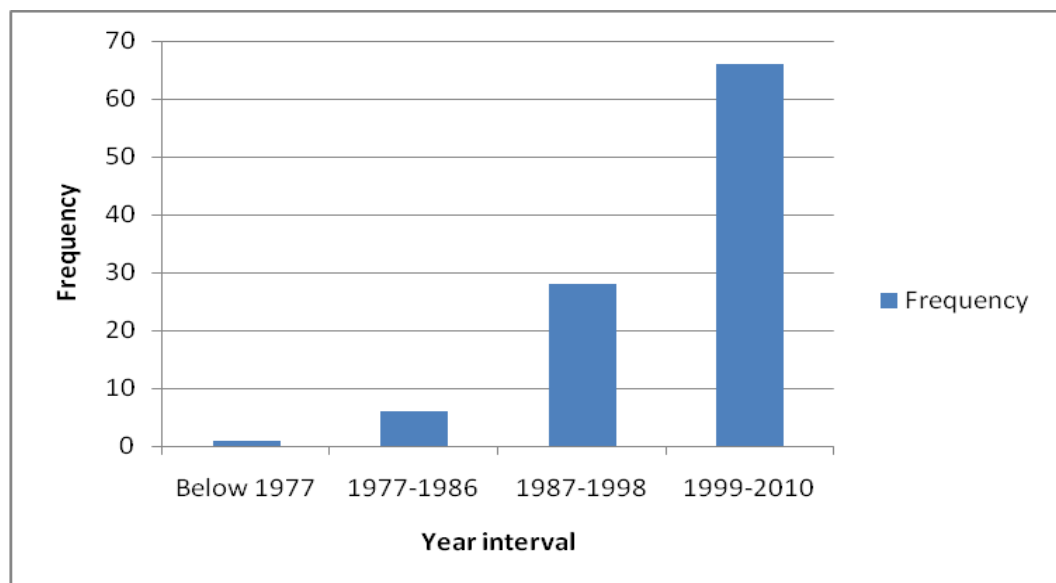
**Table 4.6 Employment Before Business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	54	54.0	54.0	54.0
No	46	46.0	46.0	100.0
Total	100	100.0	100.0	

Source: Field data, (2012)

Regarding employment status before business the findings in table 4.6 show that 54% of all respondents have been employed prior to start their own business or they are still under employment. In the other hand 46% of respondents have never been employed anywhere. As a matter of fact majority of entrepreneurs opt for self employment after they have attempted to secure employment somewhere else.

In regards to the frequency of entrepreneurs embarking in business the findings express an ascending increase in number of entrepreneurs who started business during the past four decades. The extraction of field data (see appendix) as illustrated in ten years class intervals in figure 4.2 below show a tremendous increment in the frequency of entrepreneurs who started their businesses in the recently past decade. As per this finding 66% of the entrepreneurs started business during this decade as compared to 28% of the previous decade.



**Figure 4.2 Frequencies of Entrepreneurs Who Started Business**

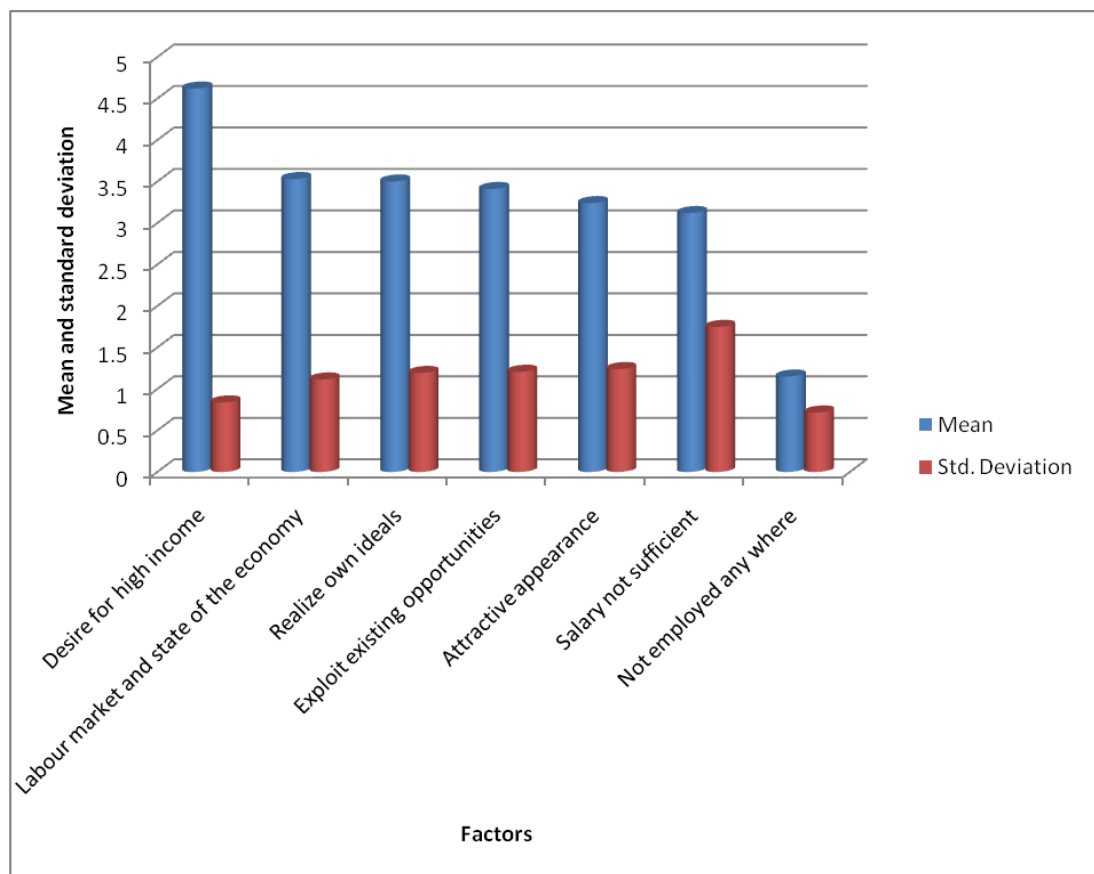
Source: Field data, (2012)

### **4.3 Main Findings**

#### **4.3.1 Objective (i) Aimed at Determining Why do People Choose Entrepreneurship as a Career**

The results from the study show that desire for high income, exploitation of opportunities, and lack of alternatives and work experience were the important motivational factors and reasons respectively for choosing entrepreneurship as

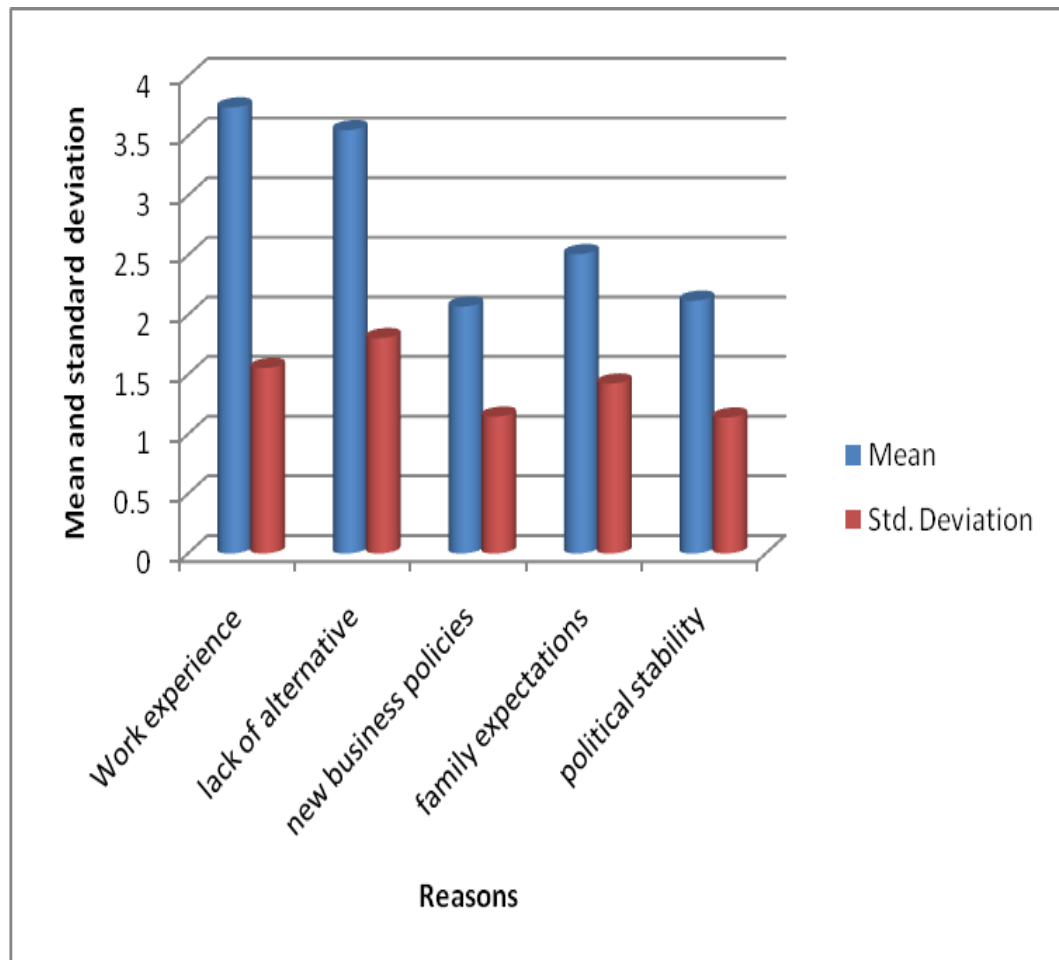
career. According to the statistics desire for high income was ranged as some how important which means more that important for the sake of this study and had a mean value of 4.5 with a very minimum standard deviation of 0.84 as shown in Figure 4.3 below. Other factors as ranked as important with their standard deviation values at the bracket are;-exploitation of opportunities (1.21), realize own ideals (1.19), salary not sufficient (1.75) and labour market and state of economy (1.11).



**Figure 4.3 Motivational Factors Influencing People to Start Own Businesses**

Source: Field data, (2012)

Moreover, work experience and lack of alternative have been ranked as considerably important business start up reasons as shown in figure 4.4 below .



**Figure 4.4 Own Business Start – up Reasons**

Source: Field data, (2012)

#### **4.3.2 Objective (ii) Aimed at Determining the Relationship Between the Motives and the Resulting Performance of the Firm**

##### **i) Introduction**

The analysis of this objective was conducted by the use of Chi – Square Tests where three relationships were tested. Furthermore the analysis was statistically done through SPSS by measuring number of employees as a firm growth indicators and comparison of individual firms with respect to other firms in descriptive Statistics.

**ii) The relationship between existing opportunities and sales performance of the firm**

The relationship between the motives and the resulting performance of the firm where was tested against one motivational factor (exploitation of existing opportunities). Respondents were required to respond to some questions which latter were coded in SPSS and the Pearson Chi – Square test results were summarized in table 4.7 below.

**Table 4.7 Chi-Square Tests: Exploitation of Existing Opportunities and Sales Performance**

	<b>Value</b>	<b>Df</b>	<b>Asymp. Sig. (2-sided)</b>
Pearson Chi-Square	37.819(a)	16	.002
N of Valid Cases	100		

Source: Field data, (2012)

From table 4.7 above we observed that significant level of 0.002 is smaller than accepted significance level (5%) and this results show that there is strong positive exploitation of existing opportunities and sales performance which means that entrepreneurs with a motive to exploit existing opportunities have a better chance to increase sales turnover.

**iii) The Relationship Between Desire for High Income and Sales Performance of the Firm**

The relationship between the motives and the resulting performance of the firm where one motivational factor (desire for high income) was taken into consideration. Respondents were required to respond to various questions which latter on were

coded in SPSS and the Pearson Chi – Square test results were summarized in Table 4.8 below.

**Table 4.8 Chi-Square Tests: Desire for Higher Income and Sales Performance**

	<b>Value</b>	<b>df</b>	<b>Asymp. Sig. (2-sided)</b>
Pearson Chi-Square	41.638(a)	16	.001
N of Valid Cases	100		

Source: Field data, (2012)

From Table 4.8 above we observed that significant level of 0.001 is smaller than accepted significance level (5%) and this results show that there is strong positive relationship between desire for high income and sales performance which means that entrepreneurs with a motive to desire for high income have a very good chance to increase their firms' sales turnover.

#### **iv) The Relationship Between Exploitation of Existing Opportunities and Number of Branches Opened for the Firm**

The relationship between the motives and the resulting performance of the firm where one motivational factor (exploitation of existing opportunities) was linked to number of branches opened for the firm. Meanwhile the performance of the firm as per this relationship was measured in terms of the number of branches opened. Respondents were required to respond to various questions which latter on were coded in SPSS and the Pearson Chi – Square test results were summarized in table 4.9 below.



**Table 4.9 Chi-Square Tests: Exploitation of Opportunities and Number of Branches Opened**

	<b>Value</b>	<b>df</b>	<b>Asymp. Sig. (2-sided)</b>
Pearson Chi-Square	13.551(a)	16	.632
N of Valid Cases	100		

Source: Field data, (2012)

From table 4.9 above we observed that significant level valued at 0.632 is higher than accepted significance level (5%) and this results show that there is no positive relationship between exploitation of existing opportunities and number of branches opened for the firm which means that entrepreneurs with a motive of having desire to exploit existing opportunities do not have a need to increase number of branches for their business.

**v) Measuring Number of Employees as a Firm Growth Indicator and  
Comparison of Individual Firms with Respect to Other Firms**

The findings from this analysis show that in between year 4 and 5 of the business there was an increase of an average of three employees of the firm as computed by descriptive statistics in SPSS which resulted to standard deviation valued at 2.28. However the result from the range of year 0 and 1 gives more comprehensive meaning where we noticed a standard deviation of 0.71 with a mean valued 1.34. This means that an increase of about two employees in year one gives a better indicator of firm growth than that of three in year four as shown in table 4.10 below.

**Table 4.10 Measurement of Increase in Number of Employees**

	N	Mean	Std. Deviation
Years 4-5	100	2.25	2.276
Years 0-1	100	1.34	.714
Years 1-2	100	.92	1.203
Years 3-4	100	.78	1.488
Years 2-3	100	.68	1.262
Valid N (list wise)	100		

Source: Field data, (2012)

However the findings from Table 4.3.7 below show that there are only 24% of the respondent who have managed to open branches or subsidiaries for their businesses. This does not mean that the performance of the firm is affected because there if no correlation between the two especially for opportunity driven entrepreneurs .As we recall to relationship at 4.3.2(iv) above we noted that *there is no positive relationship between exploitation of existing opportunities and number of branches opened for the firm.*

**Table 4.11 Branch or Subsidiary Opened**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	24	24.0	24.0	24.0
No	76	76.0	76.0	100.0
Total	100	100.0	100.0	

Source: Field data, (2012)

In a course of comparing the business status of individual firms with respect to other firms among respondents the results show that an average respondents ranked

themselves to be moderate and good in various selected factors (see Table 4.12 below). A mean values 1, 2, 3, 4, and 5 indicates bad, moderate, good, very good and excellent ranks respectively. Meanwhile in average the respondents did not have confidence to rank their businesses very good or excellent in comparison with others in terms of customer size, firm growth, market share, profitability and increase in sales.

**Table 4.12 Comparison of Individual Firms with Respect to Other Firms**

	customer size	firm growth	market share	profitability	increase in sales
N Valid	100	100	100	100	100
Mean	3.06	2.92	2.70	2.86	3.05
Std. Deviation	1.090	.849	.772	.766	.770

Source: Field data, (2012)

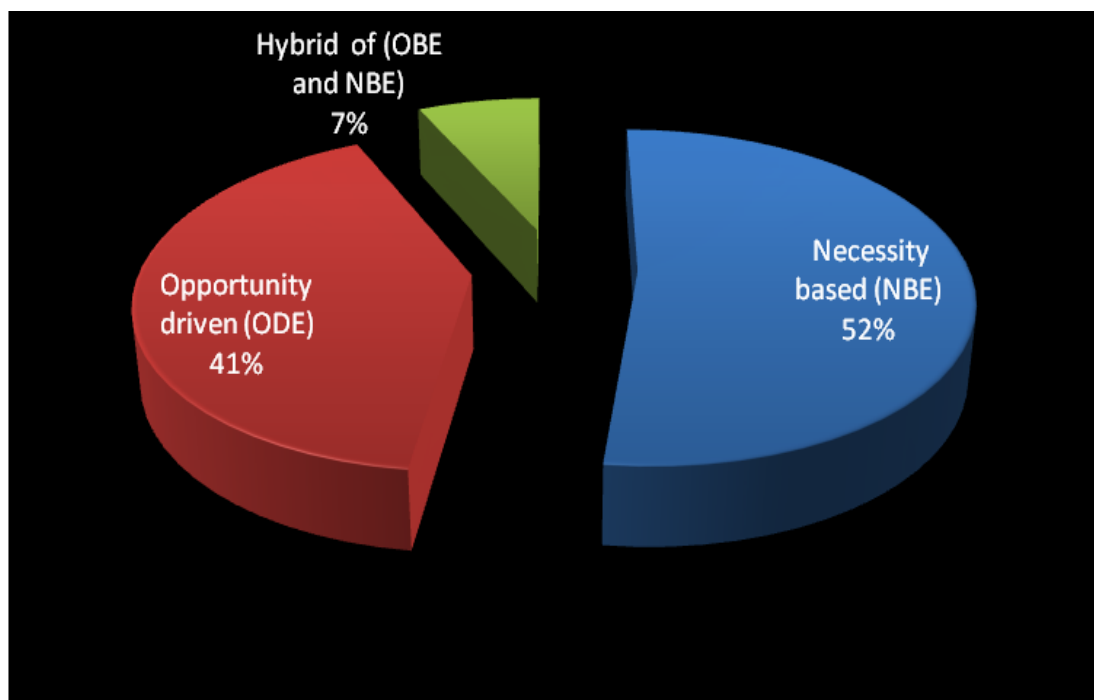
### **4.3.3 Objective (iii) Aimed at Determining the Challenges Faced by Entrepreneurs Based on their Motives**

#### **i) Introduction**

Going through the analysis of this objective the author had to do a manual analysis (content analysis) of the question which was posed to the last page of the questionnaire (see appendix 1). It is of qualitative nature which required some detailed explanations. As for this analysis the questions named part B and part E (in the questionnaire) were taken into consideration to determine whether an entrepreneur is a necessity based, opportunity driven or other sorts. For this matter those who gave the highest ranks in exploitation of existing opportunities factor in

question part B and those who had the highest ranks in lack of alternative factor in question part E were regarded as opportunity driven and necessity based entrepreneurs respectively. However few of the respondents gave the highest ranks in both cases and this resulted to a hybrid category of entrepreneurs as summarized in figure 4.5.

The findings have heightened that the motives behind entrepreneurs categorize them to be necessity based entrepreneurs or opportunity driven entrepreneurs and hybrid of both necessity and opportunity entrepreneurs. Basing on the motives behind these entrepreneurs the following are major challenges facing opportunity driven entrepreneurs, necessity based entrepreneurs and the general challenges affecting all entrepreneurs.



**Figure 4.5 Categories of Entrepreneurs basing on their motives**

Source: Field data,(2012)

**i) Challenges for Necessity Based Entrepreneurs**

**a) *Education Limitation:*** About 80% of this type of entrepreneurs faces the problem of limited know how in terms of knowledge and education. Education limitation hinders their development and hence makes the trading environment uncomfortable. They claim to be very unconfident when they face local government officials, policemen and people from the financial institutions.

**b) *Inability to make proper business analysis:*** Because of the nature of the people being necessity based they are normally rush to business without proper analysis which eventually makes their undertakings not well performing. Some of them (55.8%) claim that they are not able to analyze business prior to start. Its very likely that they are not able to prepare comprehensive business plans for their business.

**c) *Poor Government support:*** Most of these entrepreneurs (92.3%) noted to complain about poor support from the government. They claimed that they do not get the expected support from the government. They believe that if the government would support them they would have uplifted their business.

**d) *High taxes:*** Most of these entrepreneurs (84.6) keep complaining about high taxes levied by the Revenue Authority. However it has been learned there is the issue of understandability which makes these entrepreneur to combine the taxes payable to the revenue authority and other charges levied by local governments on some specific events. These events include; environmental protection charges, cleanliness and security charges.

e) *Failure to produce collateral for loans:* It was learned that for a few of these entrepreneurs (32.7%) who wish to secure loans from the financial institutions do not have the required collaterals which will as securities before the financial institutions.

f) *High living expenses:* The necessity based entrepreneurs joined the business world because they had no alternative for their survival. The current situation of high inflation rate experienced in Tanzania associated with rapid increment of living expenses endanger the business continuity among such entrepreneurs because the substantial amount of earnings are consumed for daily demands and other necessary consumables. 73.1% of the respondents claimed that life is too tough as such that they are about to finish the capital.

### iii) Challenges for Opportunity Driven Entrepreneurs

a) *Stiff Competition among business owners:* Opportunity entrepreneurs admit that there is a mushrooming of entrepreneurs trading in similar fields. This influx of entrepreneurs cause the competition among themselves to be very stiff. Low pricing by competitors acts as stumbling block which is envisaged as a result of the stiff completion. When some competitors tend to low down the products' prices, the other group under competition must suffer by either lowing down the prices or experiencing a decreased sales turnover.

b) *High Interest Rates:* It has been learned that majority of Opportunity entrepreneurs (73.2%) do finance their business by loans from banks. The commercial banks charge high interest rates which at the end reduce the expected

profit margin of the borrowers. They claim that interest rates of 15 to 20 per cent charged by commercial banks in Tanzania currently are very high and unaffordable to mortgage seekers and other borrowers.

c) *World Economic Crisis:* Some of the opportunity entrepreneurs (39%) are trading across the borders or their businesses depend on the availability of tourists. The recently experienced world economic crisis has greatly affected the businesses of many international traders. The entrepreneurs claimed that the purchasing frequencies of the foreign buyers have decreased for the past two years causing the total trading expenses to overrun.

d) *Lack of exposure and fear for FDI:* 73.2% of the respondents under this challenge observed to lack exposure and therefore fail to across the borders for business purposes. Some of the them have good financial status but they fear to undergo in Foreign Direct Investment in other countries because of lack of exposure. In most cases where there is no option for them to trade across the borders such opportunity driven entrepreneurs are compelled to use the brokers whom definitely reduce their profits. Some respondents who exports products outside the country by the help of brokers claim that the same brokers can earn a sum equal or above the total production cost plus expected profit of the producer for every deal.

e) *Corruption:* Corruption has been named as one of the very disturbing challenges of the opportunity driven entrepreneurs. Corrupt practices were termed mostly to appear in the obtaining of business licenses from relevant authorities, tax

assessment and in the procurement processes especially for government funded procurements. The corruption kinds named; bribery, nepotism (technical know who) and abuse of powers have been mentioned by 68.3% of the respondents in this category as poison to their business.

#### **iv) Common Challenges For All Entrepreneurs**

**a) *Capital limitation:*** Sources for capital finances have noted to be a serious issue challenging 52% of all entrepreneurs surveyed. The difficulty in securing the initial capital outlay affects the entrepreneurs' motives as they are compelled to start up business out of their desired status.

**b) *Power cut – off:*** Certain businesses for the sake of their perpetual success need availability of regular supply of electricity than anything else. The respondents (49%) claimed that there is a serious problem of power cut off unexpectedly which causes damages to the side of products for producers and delays services delivery for service providers.

**c) *High rental charges:*** High rates of rents charged by landlords have noted to be one of the challenges faced by all kinds of entrepreneurs. A substantial percent (72%) of the surveyed entrepreneurs have been affected by this challenge. The investigative results confirmed that rents range from Tsh.50,000/ to Tsh.400,000/ per month per trading room (popularly known as a *frame* ) depending on location, the size, authenticity and type of business for bungalows and two- storeyed buildings, where as the rent charges range from US\$ 8 to US\$ 16 per square metre per month



for multi - storeyed blocks. The charges for rents are payable in annually and semi annually basis.

**d)** *Low purchasing power of buyers:* Accordingly all kinds of surveyed entrepreneurs claim that the decreased purchasing power of their customers have created problems in slow moving of their stocks. This situation compel them to sell the products on credit basis for expectation of repayment in installments in future. However sometimes they do encounter difficulties in being paid on time and the number of bad debts have been increasing overtime.

**e)** *Discrepancies in tax payment schemes:* The majority of respondents (54%) claimed that their businesses are not well assessed by the revenue authority. The tax payment schemes are set in such a way that the tax payers are required to pay revenues in quarterly. The problem with this scheme is that the tax payers can realize profits in seasonal basis once a year. Another problem arises when the TRA fails to reimburse the value added tax (VAT) returns for VAT registered tax payers where the issue rest on the side of the revenue authority.

## **CHAPTER FIVE**

### **5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter is the final one, which close up the discussions under this study. The chapter concludes by summarizing findings from the study basing of the intended objectives. There after it gives out the general conclusion as per the findings obtained. The recommendations based on the results and that concerning future studies are as well noted down in this chapter.

#### **5.2 Summary of Findings**

In this part the author discusses in summary the results of study findings in relation to the expected outcome of the study. The results show that the characteristics of the respondents were representative when demographically assessed in terms of sex, age, marital status, business experience, employment history and level of education attained. The analysis of the data obtained from the research revealed that the data had good quality with acceptable levels of reliability and validity. The sample was a good representative of population which warranted the study to draw the reliable inferences about population under the study.

##### **5.2.1 Reasons as Why People Choose Entrepreneurship as a Career**

The findings of the study indicated that desire for high income was the most important factor that motivates entrepreneurs to start their own business. According

to the statistics this factor was ranged as some how important which means more that important as per ranking criteria set for this study. Other factors as to why people choose entrepreneurship as a career are;- exploitation of opportunities, realization of entrepreneurs own ideals, insufficiency of salaries for entrepreneurs who were under employment prior to business, Labour market and state of economy and Attractive appearance, where all these were ranked as important factors.

However, the results indicated the alternative factors to be work experience and lack of opportunities which both were ranked as a considerably important factors. Other reasons found were new business policies , family expectations and political stability where all of these ranked to be important start up reasons with lesser weights.

### **5.2.2 The Relationship between the Motives and the Resulting Performance of the Firm**

Through relationship significance testing by chi square, the analysis considered exploitation of existing opportunities as one of the motives for entrepreneurs and results show a strong relationship between such a motive and sales turnover. This result dictates that entrepreneurs with a such motive of exploitation of existing opportunity (Opportunity driven entrepreneurs) have a better chance to increase sales turnover of the firm. Furthermore, another motive parameter tested against sales turnover was desire for high income.

The results indicated that there is a strong relationship between the desire for high income as a motive and sale turnover as a criterion to measure firm performance.

This means that entrepreneurs with a such a motive having desire for high income have a very good chance to increase sales turnover of their firms. Eventually by chi square test of number of branches opened as performance indicator it was possible to determine the relationship between the motives and the resulting performance of the firm where one motivational factor (exploitation of existing opportunities). Meanwhile the performance of the firm as per this relationship was measure in terms of the number of branches opened.

The findings indicate that a motive factor exploitation existing opportunities does not have any relationship with an increase number of branches. This connotes that entrepreneurs with a motive to exploit existing opportunities do not have a have a need to increase number of branches for their business. Hence there is no positive relationship between exploitation of existing opportunities and number of branches opened for the firm. As for this study the results show that there are only 24% of the respondents who have managed to open branches or subsidiaries for their businesses.

### **5.2.3 The Challenges Faced by Entrepreneurs Based on Their Motives**

The results from analysis have identified two major types of entrepreneurs basing on their motives and a hybrid category of the two. The two categories of entrepreneurs identified were 52 Necessity Based Entrepreneurs (NBE) and 41 Opportunity Driven Entrepreneurs (ODE) and 7 hybrid entrepreneurs who were between NBE and ODE. However the findings have identified specific challenges for NBE and ODE, and some general challenges which cut across for all entrepreneurs as outlined below.

**i) Challenges for Necessity Based Entrepreneurs**

The challenges facing necessity based entrepreneurs are; education limitation, inability to make proper business analysis, poor government support, High taxes, failure to produce collateral for loans and high living expenses.

**ii) Challenges for Opportunity Driven Entrepreneurs**

The challenges facing opportunity driven entrepreneurs are; stiff competition among business owners, high interest rates, world economic crisis, lack of exposure and fear for FDI and corruption.

**iii) General Challenges for all entrepreneurs**

The challenges which appeared common to all entrepreneurs are capital limitation, power cut – off, high rental charges, low purchasing power of buyers and discrepancies in tax payment schemes.

### **5.3 Implication of the Results**

The motives behind Entrepreneurs in Tanzania in respect of whether they are Necessity Based and Opportunity Driven are the key issues addressed in this study. The study found out that many of entrepreneurs are necessity based than opportunists while among those married ones overtakes the non coupled ones. There noticed again that over two thirds of all surveyed entrepreneurs had attained a maximum of ordinary level of secondary education which is direct proportional to the number of those who attended business education. By results of the study the author established a tremendous increment in the frequency of entrepreneurs who started business in the

recently past decade where as two thirds of all started business during this decade as compared to one third of the three previous decades.

The results of the above trends convince the existence of direct correlation between the necessity based entrepreneurs and their inability to perform as noted in section 4.3.2.5 of this study ..“... *in average the respondents did not have confidence to rank their businesses very good or excellent in comparison with others in terms of customer size, firm growth, market share, profitability and increase in sales*”. The implication of this verdict is that there will be a continued existence and rapid growing gang of less publicly declared beneficial entrepreneurs who are just there for their survival if an immediate action will not be taken by appropriate authorities.

#### **5.4 Conclusion**

The study aimed at establishing whether entrepreneurs in Tanzania are necessity based or opportunity driven determining and determine the reasons as to why do people choose entrepreneurship as a career. Findings confirmed that lack of opportunities, desire for high income and exploitation of opportunities were ranked as a considerably important reasons among others. However these reasons are interrelated with other factors such as education level, marital status and business experience of the entrepreneurs.

In a course to determine the relationship between the motives and the resulting performance of the firm it is hereby concluded that by considering an increase in sales turnover as indicators for firm growth the two motivational factors i.e

exploitation of opportunities and desire for high are confirmed to have a strong relationship with a such indicator. Moreover it can be concluded that number of subsidiaries opened as a measure of firm performance has no any relationship with exploitation of existing opportunities.

The final objective was to determine the Challenges Faced by Entrepreneurs Based on their Motives. A number of challenges found need be addressed publically and the government is seriously required to act upon so as to redress the situation. Reacting to these challenges the government will play its entrepreneurship promotion role more effectively because these challenges considered as stumbling blocks of such promotion.

It is indispensable to understand the root cause of every issue before embarking in taking actions to handle it. The promotion of entrepreneurship as a career among business owners in Tanzania need a comprehensive understand of what are the motives behind them. However, it may be concluded that entrepreneurship orientation among business owners in this country found to be more necessity based than opportunity driven.

## **5.5 Recommendations**

In order to promote entrepreneurship in Tanzania, and for the sake of mitigating the impact of challenges faced by entrepreneurs in regards to their motives coupled to an efficient coordinating mechanism to ensure smooth running of their businesses, the author obliged to give the following recommendations.

### **5.5.1 Formulation of an Independent Entrepreneurship Policy**

The author finds that it is high time now to formulate the entrepreneurship policy in Tanzania. Entrepreneurship as a whole in Tanzania is being dealt in by Small and Medium Enterprise Development Policy of 2002. The SMEs Policy does not stress much on entrepreneurship orientation as such this may jeopardize the promotion of the entrepreneurs. It is hereby emphasized that the formulation of such entrepreneurship policy will enhance the promotion of entrepreneurs because it would go in the fundamentals of entrepreneurship orientation and tackle the concept in a wider perspective.

### **5.5.2 Establishment of One Stop Centre for Local Entrepreneurs**

The government is hereby recommended to establish a one stop centre for local entrepreneurs. The main objective of this centre should be to deal directly with the introduction of businesses and promotion of entrepreneurs. It would be perceived that Tanzania Investment Centre (TIC) and Export Processing Zones (EPZ) were established to cater for this objective. However, it should be clearly known to the public that both of the two were established for their specific objectives concerning investors but not promotion of entrepreneurs. Tanzania Investment Centre aims at acting as a one-stop centre for investors and be the agency of Government to co-ordinate, encourage, promote and facilitate investment in Tanzania where a local investor with investment, if locally owned, the minimum investment capital is not less than Tanzania shillings equivalent of US dollars one hundred thousand shall not be considered for incentives. This objective exclude the entrepreneurs with lesser capital than required and especially those starting new businesses. In other words



Economic Processing Zones have weakness of not dealing with individuals. As per EPZ law an investor is defined as a company incorporated in the United Republic for such specified objectives. With these observations it is very important for the sake of really promotion of entrepreneurship to establish a one stop centre for local entrepreneurs which will derive mechanisms for such promotion.

### **5.5.3 Introduction of Entrepreneurship Subject Primary and Secondary Education**

It has been observed that majority of people starting their own businesses are from Primary school level (43%) and secondary, particularly, Ordinary level (22) and that majority of entrepreneurs (76%) have never attended business education or entrepreneurship. The results of the observed trends convince an immediate introduction of entrepreneurship as a core subject in the curriculum of various levels of education. The contents of the subject should include entrepreneurship orientation sensitization programs through workshops and debates. By so doing the many among challenges facing entrepreneurs will undoubtedly minimized and firms' performance will automatically be risen because the number of opportunists will surpass those of necessity based entrepreneurs. It is hereby recommended to the relevant authorities to take necessary measures to put this recommendation into practice.

### **5.5.4 The Government to Mitigate Challenges**

The Government of Tanzania is hereby advised to take necessary and sustainable mitigative measures for the challenges (whom it is within its power) raised by

entrepreneurs. The problems such as high interest rates, problems in tax payments, problem of lack of exposure and others, just to mention few, are within government capability. It was previously identified that entrepreneurship sector is very importance for economic achievement of the country, so, in order to achieve this fact the government need to look carefully into factors that affect entrepreneurs in terms of their motives.

### **5.6 Limitations of the Study**

In the process of conduction this study, there were number of constraints which in one way or another did not allow a smooth carrying out of the work. The constraints include but not limited to the following;- Power cut off during concept development and literature reviewing, distribution of questionnaires to the business owners was very hard because most of the owners were not present in the trading premises, Some business owners were reluctant in responding to questionnaires and poor understandability of the questionnaires' objectives which caused unnecessary delays. All these constraints had caused the researching time to be lengthened than previously scheduled.

### **5.7 Recommendation for further study**

It is recommended that a study should be made on the following areas,

- a) Study on the motives behind various ethnic groups in entrepreneurial orientation in Tanzania.
- b) Study on the necessity and opportunity entrepreneurship among undergraduate students in Tanzania.

- c) Study on the challenges facing necessity and opportunity entrepreneurs based on their motives in Tanzania.
- d) Study on a need to establish of one stop centre for local entrepreneurs in Tanzania.

## REFERENCES

- Acs, Z.J., Desai, S. & Hessels, J. (2008). Entrepreneurship, economic development and institutions, *Small Business Economics*, 31(3), 219-234.- Downloaded from [mpa.ub.unimuenchen.de/29506/2/MPRA\\_paper\\_29506.pdf](http://mpa.ub.unimuenchen.de/29506/2/MPRA_paper_29506.pdf)
- Audretsch, D. & Thurik, R. (2000). Capitalism and democracy in the 21st Century: from the managed to the entrepreneurial economy, *Journal of Evolutionary Economics*, 10(1), 17-34
- Baron, Robert A., and S.A Shane (2008) (second edition). *Entrepreneurship. A process Perspective*. Mason, O.H: Thomson Higher Education.
- Barringer, Bruce R., and R.D. Ireland (2006). *Entrepreneurship. Successfully Launching New Ventures*. Upper Saddle River, N.J: Pearson Education, Inc
- Blanchflower, D. and Oswald, A. (1999): Entrepreneurship and the Youth Labour Market Problem, LEED Document [DT/LEED(99)11], Territorial Development Service, OECD, Paris
- Covin, J. G., Green, K. M., & Slevin, D. P. (2006). Strategic Process Effects on the Entrepreneurial Orientation-Sales Growth Rate Relationship. *Entrepreneurship Theory and Practice*, 30(1): 57-81
- Cavusgil, S.T, Cellich, C, Khan, S.H, Subramania, TSR & Suttle, AD(1989), "Export from small and medium entrss in devlpng countries": issues and perspectives, international trade center, Geneva
- Coulter, Mary (2001). *Entrepreneurship in Action*. Upper Saddle River, N.J: Prentice- Hall
- Cronbach, L.J (1951), "Coefficient alpha and the internal structure of tests". *Psychometrika* Vol.16 No.1, pp 297-334

- Das, L. 2005, Engendering SMEs Women in enterprises Development , Spectra convention Centre, Dhaka, Bangladesh.
- Drucker, Peter (1985). *Innovation and Entrepreneurship*. London: Heinemann
- Elly, T., Ally, M. and Olomi, D.R. (2008). Entrepreneurial Propensity among school and college students in Tanzania: Business Management Review Journal, Faculty of commerce and management – UDSM, Vol 12(1)
- Gaglio, Connie M.,and J.A. Katz (2001). The psychological basis of opportunity identification: entrepreneurial alertness,” *Small Business Economics*, 16, 95 – 111
- Giacomin, Oliver (2009): The influence of necessity and opportunity motivations on the choice of an economic sector : an empirical study of Belgian entrepreneurs, working paper 08/27, Site de Lovain – la-Neuve – Place des Doyens, 1- 1348
- Giacomin,O.; Janssen,F.; Guyot, J. and Lohest, O.(2011): Opportunity and/or necessity entrepreneurship? The impact of the socio-economic characteristics of entrepreneurs, Online at <http://mpa.ub.uni-muenchen.de/29506/MPRA> Paper No. 29506
- Gibb,A.A., (2005), Towards the Entrepreneurial University. Entrepreneurship Education as a lever for Change’. NCGE Policy paper series [www.ncge.org.uk](http://www.ncge.org.uk)
- IFC. 2005. Access to Finance Assessment. World Bank Group, Washington, DC
- International Bible Society, (1984), THE HOLLY BIBLE - New International Version, Clays Ltd, St Ives plc, Nairobi

- Joni Simpson & Jens Dyring Christensen, (2009), *Youth Entrepreneurship & the ILO: Small Enterprise Programme, Job Creation and Enterprise Development Department*, ILO Geneva
- Katz, J.A.,(1994): “Modelling Entrepreneurial Career Anchors: Concepts and considerations,” *Entrepreneurship Theory and Practice*, 19(2) (Winter): 24-31.
- Keh, T., H., Nguyen, T.T.M., & Ng, H.P. (2007). The Effects of Entrepreneurial Orientation and Marketing Information on the Performance of SMEs. *Journal of Business Venturing*, 22, 592-611
- Kibogoya, M-G,M (2007), Challenges and critical success factors for supporting entrepreneurship development to vulnerable groups, the case of youth entrepreneurship development in Kinondoni Municipality, unpublished PGD(EED) project report , UDSM
- Kothari, C. R. (2006). *Research Methodology: Methods and Techniques*, 7<sup>th</sup> Edition, New Delhi, India
- Kumar,Poornima,Abraham and Jayashree (2003), *Entrepreneurship Development*, New age International Publishers, New Delhi
- Llisterri, J.J., Kantis, H., Angelelli, P.; Tejerina, L. (2006): Is Youth Entrepreneurship a Necessity or an Opportunity? A First Exploration of Household and New Enterprise Surveys in Latin America. Washington, D. C
- Lumpkin, G. T, & Dess G.G. (1996). Clarifying the entrepreneurial Orientation construct and linking Performance. *Academy of Management Review*, 21 (1), 135-175

- Lumpkin, G.T. & Dess, G.G. (2001) Linking two dimensions of entrepreneurial orientation to firm performance, *Journal of Business Venturing*, 16, 5, 429-451
- Man, T.W.Y, Lau, T., & Chan, K.F. (2002). The Competitiveness of Small and Medium Enterprises: A Conceptualization with Focus on Entrepreneurial Competences. *Journal of Business Venturing*, 17(2), 123-143
- Manyanya, S.M.(2007), Challenges facing entrepreneurship in Mbinga District: PGDEED, University of Dar es Salaam
- Marriotti, Steve, and C. Glackin (2010) (Second edition). *Entrepreneurship*. Upper Saddle River, NJ: Prentice Hall
- Mfaume , R. M. and Leonard,W., (2004) Small Business Entrepreneurship in Dar es salaam -Tanzania: Exploring Problems and Prospects for Future Development
- Nchimbi, M.I (2003), Gender and entrepreneurship in Tanzania: A comparative Analysis of Male – Female start-up Motivation, Individual Characteristics and Perceptions of Business success. PhD Thesis ; University of Dar es Salaam
- Olomi, D.R.,(2001): Entrepreneurial Motivation in Developing Country context: Antecedents and Consequences of Growth – seeking behavior Among Small Manufacturing Firms in Tanzania,” PhD Thesis, University of Dar es salaam
- Olomi,D (2006), ‘Policy Dialogue seminar paper on opportunities and challenges for rural SMEs development in Tanzania’, ESRF consultancy

- Olomi, D.R., (2007).Unleashing Entrepreneurial Potentials of the Poor in Tanzania: Prospects, Challenges and Way Forward - Working Paper for Presentation to the High Level Commission on the Legal Empowerment of the Poor , UDEC
- Olomi, D.R., (2009). African Entrepreneurship and Small Business Development: Otme company limited, Dar es salaam
- Packer, Riopelle and Steel,(1995). Small enterprises adjusting to liberalization in five African countries. World Bank Discussion paper, No.271. Washington, D.C: Worldbank
- Robichaud, Y., LeBrasseur,R., Nagarajan, K.V, (1989), Necessity and Opportunity-driven Entrepreneurs in Canada: An Investigation into their Characteristics and an Appraisal of the Role of Gender, Journal of Applied Business and Economics, Laurentian University. (Downloaded from [www.na-businesspress.com/JABE/Jabe111/RobichaudWeb.pdf](http://www.na-businesspress.com/JABE/Jabe111/RobichaudWeb.pdf) at 1358hrs on 15/2/2012)
- Ronald Duggins, 2005), The learning processes, characteristics, and behaviors of necessity entrepreneurs in northeast Brazil. PhD thesis – Oklahoma State University. (Downloaded from <http://digital.library.okstate.edu/etd/umi-okstate-1253.pdf> on 15/2/2012)
- Sangau. J (2009), Assessment of Financial Forecasting Practices in Small and Medium Enterprises in Tanzania; A case study of Morogoro Municipality. Unpublished MBA dissertation, UDSM
- Saunders, mark, Lewis, Philip and Thornhill, Adrian (2009), Research methods for business students, 5th ed, Italy, Rotolito Lombarda



- Schumpeter, Joseph A. (1934), *The Theory of Economic Development*, Cambridge, MA: Harvard University Press
- Stanworth, M.J.K.,and Curran,J.,(1976): “Growth and the small firm: An alternative view”. *Journal of management studies*, 95 – 100
- Stevenson, H.H. & Jarillo, J.C. (1990) A paradigm of entrepreneurship: Entrepreneurial Management, *Strategic Management Journal*, 11:17-27
- Timmons, Jeffrey A. (1999) (5<sup>th</sup> edition). *New Venture Creation. Entrepreneurship for the 21<sup>st</sup> Century*. New York: Irwin/ McGraw – Hill
- Urban, B. (2011), Social capital configurations for necessity-driven versus opportunity-driven entrepreneurs, *South African Journal of Economic Management Sciences*, 14 No.4:407-421, *University of the Witwatersrand*
- URT, (2002). *Small and Medium Enterprise Development Policy*: United Republic of Tanzania ,Ministry of Industry and Trade
- Williams,C.C.,Round, J., Rodgers,P., (2008) : Beyond necessity and opportunity driven entrepreneurship: some case study evidenced from Ukraine, *International Journal of Entrepreneurship and Innovation*, 9:157-165
- Zainol, F.A and Ayadurai,S (2011): Entrepreneurial Orientation and Firm Performance: The Role of Personality Traits in Malay Family Firms in Malaysia , *International Journal of Business and Social Science* .Vol. 2 No. 1; Centre for Promoting Ideas, USA

## APPENDICES

### APPENDIX 1: Questionnaire

**Dear respondent,**

The purpose of this questionnaire is to collect your views and opinions on entrepreneurial orientation being necessity or opportunity. This is an academic research, hence information you provide shall be used for academic purposes only and not otherwise. Thank you for using your valuable time to fill this questionnaire.

#### Part A.

1. Sex: Male ..... Female .....
2. Marital status    married ..... Not married .....
3. Age in years .....
- 4a. Highest level of education attained (tick where appropriate)

Never attended school	
Primary	
O'level secondary school	
A'level secondary school	
Post secondary school certificate or Diploma	
Advanced Diploma or Degree	
Post graduate qualification	

- 4b. Have you attained any professional /technical qualification? Yes ..... No ....

5 Have you attended any kind of business education or course in business management?

Yes ..... No.....

6a Have you ever been employed prior to going into business for yourself?

Yes..... No.....

6b. If so, was your employment related to your current business?

Yes..... No.....

### **Part B**

There are many factors that motivate people to start their own businesses. Some of them are presented below. In your opinion, how important were each of the following factors at the time you started your current business? (tick where appropriate, 1= not important, 2= less important, 3= important, 4= some how important 5= very important)

<b>Start – up reasons</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Labour market and state of the economy					
Desire for high income					
Attractive appearance					
Realize own ideas					
Exploit existing opportunities					
Salary not sufficient					
Not employed any where					

**Part C**

**Qn.1.**How do you rate the attitude towards private business in general in part of the government and local administration (tick where appropriate)

Very positive	Negative	Neutral	Positive	Very positive

**Qn2.**How do you rate the attitude of people, and the society toward private business in general (circle the option chosen)

Very positive	Negative	Neutral	Positive	Very positive

**Part E**

There are factors that may have influenced you to start – up own business, please indicate the extent to which each of the following factors may have contributed to the start of your business (Rank by starting with the most important factor)

<b>Business start- up influencing factor</b>	<b>Rank</b>
Work experience	
Lack of alternative	
New business policies	
Family expectations	
Political stability	

**Part F**

**Qn.1.** When did you start you business. Please show the year .....

**Qn.2** Have you experienced an increase in sales turnover over past five year? Please indicate the extent to which your sales turnover have increased. (tick where appropriate)

Extent of sales increment	
Less than 10%	
From 10% to 49%	
From 50% to 79%	
From 80% to 99%	
Above 100%	

**Qn.3** Have you experienced an increase in number of employees working at your firm over past five year? Please indicate the number of employees at your firm.

Years' range	Number of employees
0-1	
1-2	
2-3	
3-4	
4-5	

**Qn.4a.** Have you opened any branch or subsidiary of your trading firm?  
Yes..... No.....

**Qn.4b.** If yes, how many branches? Please indicate the number  
.....

**Qn. 5** In comparison with other similar business what is the status of your business in respect of the following tabled areas. (tick where appropriate, 1= bad, 2= moderate, 3= good, 4= very good, 5= excellent)

	1	2	3	4	5
Customer size					
Firm growth					
Market share					
Profitability					
Increase in sales					

**Qn.6.** Basing on your motives, what are the major challenges do you face?. Please outline the major challenges

.....

.....

.....

**APPENDIX 2: Year of Starting Business**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	1976	1	1.0	1.0	1.0
	1984	3	3.0	3.0	4.0
	1985	3	3.0	3.0	7.0
	1987	1	1.0	1.0	8.0
	1988	1	1.0	1.0	9.0
	1989	3	3.0	3.0	12.0
	1990	4	4.0	4.0	16.0
	1992	1	1.0	1.0	17.0
	1993	1	1.0	1.0	18.0
	1994	2	2.0	2.0	20.0
	1995	1	1.0	1.0	21.0
	1996	3	3.0	3.0	24.0
	1997	3	3.0	3.0	27.0
	1998	7	7.0	7.0	34.0
	1999	2	2.0	2.0	36.0
	2000	5	5.0	5.0	41.0
	2001	7	7.0	7.0	48.0
	2002	20	20.0	20.0	68.0
	2003	4	4.0	4.0	72.0
	2004	4	4.0	4.0	76.0
	2006	6	6.0	6.0	82.0
	2007	2	2.0	2.0	84.0
	2008	4	4.0	4.0	88.0
	2009	7	7.0	7.0	95.0
	2010	5	5.0	5.0	100.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	

Source: Field data, (2012)

**APPENDIX 3: Ages of Respondents**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	25	<b>3</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
	26	2	2.0	2.0	5.0
	27	4	4.0	4.0	9.0
	28	8	8.0	8.0	17.0
	29	4	4.0	4.0	21.0
	30	5	5.0	5.0	26.0
	31	3	3.0	3.0	29.0
	32	6	6.0	6.0	35.0
	33	4	4.0	4.0	39.0
	34	8	8.0	8.0	47.0
	35	5	5.0	5.0	52.0
	36	1	1.0	1.0	53.0
	37	4	4.0	4.0	57.0
	38	7	7.0	7.0	64.0
	39	1	1.0	1.0	65.0
	40	2	2.0	2.0	67.0
	41	2	2.0	2.0	69.0
	42	1	1.0	1.0	70.0
	43	3	3.0	3.0	73.0
	45	2	2.0	2.0	75.0
	46	1	1.0	1.0	76.0
	47	1	1.0	1.0	77.0
	48	2	2.0	2.0	79.0
	49	5	5.0	5.0	84.0
	50	2	2.0	2.0	86.0
	52	2	2.0	2.0	88.0
	53	1	1.0	1.0	89.0
	54	3	3.0	3.0	92.0
	55	2	2.0	2.0	94.0
	56	1	1.0	1.0	95.0
	62	3	3.0	3.0	98.0
	65	1	1.0	1.0	99.0
	67	1	1.0	1.0	100.0
	Total	100	100.0	100.0	

Source: Field data, (2012)



**APPENDIX 4: Challenges Facing Entrepreneurs Basing on their Motives**

<b>Entrepreneur Type</b>	<b>Challenges</b>	<b>Respondents</b>		<b>Percentage</b>
		<b>Frequency</b>	<b>Total</b>	
Necessity based entrepreneurs	Education limitation	42	52	80.8
	Inability to make proper business analysis:	29	52	55.8
	Poor government support	48	52	92.3
	High taxes	44	52	84.6
	Failure to produce collateral for loans	17	52	32.7
	High living expenses	38	52	73.1
Opportunity driven entrepreneurs	Stiff competition among business owners.	25	41	61.0
	High interest rates	30	41	73.2
	world economic crisis	16	41	39.0
	Lack of exposure and fear for FDI	30	41	73.2
	Corruption	28	41	68.3
Common challenges for all entrepreneurs	capital limitation	52	100	52
	power cut – off	49	100	49
	high rental charges	72	100	72
	low purchasing power of buyers	57	100	57
	discrepancies in tax payment schemes	54	100	54

Source: Field data, (2012)